

**EAST AFRICAN COMMUNITY**



**RESPONSES FROM COUNCIL OF MINISTERS TO THE EALA  
COMMITTEE ON ACCOUNTS REPORT ON THE FINANCIAL  
STATEMENTS FOR THE FINANCIAL YEAR ENDED 30<sup>th</sup> JUNE 2013**

**Arusha, Tanzania  
March, 2015**

**Mr Speaker, Sir**

**In accordance with the provisions of Article 134 (3) of the Treaty for the establishment of the East African Community (EAC), the Chairperson of the EAC Council of Ministers on 24th October, 2014 in Kigali, Republic of Rwanda laid before the Assembly the reports of the Audit Commission for the year ended 30<sup>th</sup> June, 2013.**

**Mr Speaker, Sir**

**In accordance with Rule 77, Rule 79 and Annex 5 (A) of the Rules of Procedure of the Assembly, the Rt. Hon. Speaker referred the reports to the EALA Committee on Accounts, which, based on the observations and recommendations from the Audit Commission, tabled its report to the House in January 2015, making recommendations to the EAC Council of Ministers.**

**Mr Speaker, Sir**

**The EAC Council of Ministers tabled a motion of postponement of the debate of the Report of EALA Committee on Accounts, in order to seek for necessary clarification and provide adequate responses to the issues raised in the report.**

**Mr Speaker, Sir**

**In the financial year 2012/2013, all Organs and Institutions of the East African Community received an unqualified (clean) audit opinion from the Audit Commission. In the previous years, some institutions had been getting qualified or disclaimer of opinion. This shows that the reforms introduced in the last few years across the board are bearing fruits. The EAC embarked on serious measures to improve its internal control systems, including making amendments to Financial and procurement regulations, putting in place operational manuals and automating most of processes using latest information management software.**

**Mr Speaker, Sir**

**The EAC Audit Commission and the EALA Committee on Accounts noted some issues in the EAC Organs and Institutions that require improvements.**

**Mr Speaker, Sir**

**An audit is a normal governance tool which tables audit findings that point to areas that need to be strengthened in our systems. For example, for financial year ending 30th June 2013, which is the object of this audit report, a number of internal and external audits were carried out on programs and projects of the Community. These allowed the Council of Ministers and Management to continue to strengthen systems. Major audit queries were drastically reduced over the years attributed to staff as part of their Performance Contract obligations.**

**Mr Speaker, Sir**

**Following the audit queries as shown in the Audit Report presented in this August Assembly below are the responses by EAC Council of Ministers:**

#### **EAST AFRICAN SECRETARIET**

##### **Over Expenditure**

**Mr Speaker, Sir**

**While the Audit Commission reported over expenditure, the Council would like to clarify that during the FY'2012/2013, there was no over expenditure. Indeed, from the funds appropriated by the Assembly, an amount of USD 1,674,084 was transferred to the EAC General Reserve account as a result of improved efficiency in running the operations although part was due to unexpended salaries for vacant positions.**

**Mr Speaker, Sir**

**In the course of budget execution, there were variations of cost of inputs such as air tickets, conference facilities, refreshments, transport, stationery, etc. I would like to inform this August House that, Council went through the queries, requested for verifications, and noted that adjustments were approved by Council as required by the EAC Financial Rules and Regulations, without exceeding the overall budget planned for that activity.**

***Attachments are available***

## **Irregularity of Advancing Funds**

**Mr Speaker, Sir**

**The report of the Committee on Accounts mentioned "irregularity of advancing funds on weekends (Saturday and Sunday) to several accounts staff on the last days of the financial year which constitutes an unauthorized budget rollover".**

**Mr Speaker, Sir**

**Contrary to the impression created by the Audit Commission report that substantial advances were made to accounts staff at the close of the year for activities not undertaken,**

**The amount of USD384,834 was spent in accordance with the Financial Rules and Regulations, and the activities facilitated were on the approved EAC Calendar of activities. Records of the meetings and acknowledgment from the delegates paid were availed to the Council.**

**Mr Speaker, Sir**

**The payments in question were prepared and some cheques signed between 13th to 30th June 2013. We recognize that in some instances, meetings crossed-over the financial year and some were postponed due to reasons beyond EAC Secretariat's control, and took place in July or August 2013. Most of the postponements were by the partner state for various reasons and this is normally encountered in our day to day activities. *Attachments are available,***

**The expenditure was in conformity with Regulation 29 (2) of the EAC Financial Rules and Regulations: *"appropriations shall remain available for three (3) months following the end of the financial year to which they relate in so far as they are required to discharge obligations in respect of goods, supplies and services rendered during the financial year which has not been settled".* *Attachments are available***

**Mr Speaker, Sir**

**The Council confirms that the amount of USD384,834 was spent in accordance with the EAC Financial Rules and Regulations, and accountability reports, clearly indicating the actual date of the meetings, the lists of participants paid and the reports of the meetings are available.**

**Mr Speaker, Sir**

**In order to ensure that the Cut - Off date is complied with, the Secretary General will from now onwards, issues every year, a ‘Year End Guidelines memo’, which clearly states what commitments should be made only until 15th of June, so that the remaining period is scheduled for paying for those commitments.**

#### **Anomalies in Accountabilities for Imprest Advances**

**Mr Speaker, Sir**

**Concerning the reported Anomalies in Accountabilities for Imprest Advances, our clarification is as follows; Council found that invitations and reports for meetings were not filed together with Accountability documents found at the Accounts department; however, accountants supported the payments with the boarding passes as evidence that the payees attended the meetings. Council directed the accountants to always support and reveal all necessary available documents as advised by the committee.**

**It is a known practice that in the airline industry, issued tickets must be paid for, as a principle; and claims for refund of payments made against unutilized tickets were submitted to the travel agent, and credit notes received for eligible portions of the fare. *Attachments are available***

**Mr Speaker, Sir.**

**The EAC Management has ensured that since February 2013, Daily Attendance Lists are attached to accountability documents, indicating the participants to all EAC meetings, in addition to boarding passes.**

**Mr Speaker, Sir**

**Council recognized weakness in professional qualifications of participants to specific EAC meetings. We therefore have directed Management to prepare invitations which clearly indicate the required calibre, profession and management level of participants in a specific meeting. The Council of Ministers will ensure that only qualified participants from Partner States as indicated in the invitation letters are the ones who attend meetings by sampling during our quarterly meeting.**

### **EAC Institutional Review**

**Mr Speaker, Sir**

**The new road map for finalization of the Institutional review was agreed with the Consultant, as follows:**

<b>Roadmap for the Finalization of the Institutional Review Activity</b>	<b>Time-Frame</b>	<b>Responsibility</b>
<b>Commencement of the finalization of the pending work</b>	<b>Mid-November, 2014</b>	<b>Consultant</b>
<b>Submission of Draft Final Report</b>	<b>March, 2015</b>	<b>Consultant</b>
<b>Validation of the Draft Final Report</b>	<b>March, 2015</b>	<b>Consultant/Partner States/Secretariat</b>
<b>Consideration of the Final Report by the SCMEACP</b>	<b>April, 2015</b>	<b>Consultant/Partner States/Secretariat</b>
<b>Consideration of the Report by the Council of Ministers</b>	<b>April, 2015</b>	<b>Council of Ministers</b>

**Mr Speaker, Sir**

**The Council of Ministers would like to inform this august house that the contract of the consultant on Institutional review was extended without any extra consultancy fees and the cost for contract management (validation workshops, and other) has been provided in the budget for FY'2014/2015 admittedly at an extra cost .**

***We further concur with the findings and recommendations from the Committee on Accounts on expediting the finalization of the Institutional review.***

## **Payment in lieu of leave**

**Mr Speaker, Sir**

**Council however concurred with the observations that in some instances at the time of application for leave by a staff, the Staff Leave Request Form was not filled to support the application for payment in lieu of accrued leave. I would like to clarify that council was satisfied that there was no Institutional discrimination in the management and payment in respect of leave and directed Management to ensure that all payments in lieu of leave are supported by properly filled leave claims in compliance with the Staff Rules and Regulations.**

## **Salary Deductions**

**Mr Speaker, Sir**

***Council absolutely agree with recommendation of committee on salary deductions. We directed Management that they should always follow the staff rules and avoid authorizing advances and guaranteeing loans in instances where the ensuing deductions will exceed 50% of salaries, and the Secretary General explained to the Council that steps have been taken to address this matter, for staff not already under obligation with banks that lent them money. The Council has directed all Organs and Institutions to always adhere to Staff and Financial Rules and Regulations as well as good practice on this issue.***

## **Performance of Internal Audit Department**

**Mr Speaker, Sir**

**About the Performance of Internal Audit Department recruitment of the substantive Principal Internal Auditor is in progress and will be finalized by March 2015. Work plans and the operational performance of the Internal Audit department are discussed with the Secretary General on a quarterly basis, and approved by the Audit and Risk Committee of the Council. In**

terms of understaffing, the EAC Secretariat is hiring an additional auditor with assistance from the Inter - Regional Coordination Committee (IRCC) project to beef up the existing staff in the Unit. The EAC Council is in the process of exploring modalities to have joint planning and rationalization of using the existing internal auditors across all Organs and Institutions.

### **Performance Contracting Process**

**Mr Speaker, Sir**

The Audit Commission Report pointed out issues in the Performance Contracting Process. The recommendations by the EALA Committee on Accounts are fully in line with the actions that the Management is already taking. The financial year 2012/2013 review was the first time EAC Secretariat implemented this management style and hence not well understood at the time. The Council of Ministers would like to inform this August House that the EAC Secretariat has instituted "Silent Weeks" in the calendar of activities, to allow for proper Review of Performance, as well as forward planning for the follow-on quarters. There has been marked improvement not only the understanding of it, but also the participation in the Performance Management systems has improved the regular monitoring of staff performance. The EALA Clerk is also requested to bring this matter to the attention of this August House so that the "silent week" be considered as well in planning of the activities of the Assembly.

### **Vacant Positions**

**Mr Speaker, Sir**

The Council took note of the recommendations of the Committee on Accounts, that the vacant positions should be filled, and to follow up on the restructuring process of the EAC to establish relevancy/justification of such vacant positions on the approved structure. Management is currently undertaking a recruitment exercise for 26 staff positions that will be finalized this month (March 2015). We would like to bring to your attention the following issues:



## **Challenges emanating from the introduction of the Quota System**

**Mr Speaker, Sir**

**The introduction of the Quota system premised on the principles of equity and merit has paused additional challenges in respect to recruitment. In the process of trying to ensure these principles are upheld in the recruitment process, there have been challenges due to different interpretations and perceptions of these principles, thereby creating delays in the recruitment process.**

## **Short-term Renewable Contracts**

**Mr Speaker, Sir**

**The Council of Ministers took note of the recommendations of the Committee on Accounts about required improvements in managing Short-term Renewable Contracts. Management has developed guidelines for the recruitment of Non- established staff and they are being reviewed by the Human Resource Advisory Committee that was setup in March 2013. The HR Advisory Committee also recommended to the Secretary General, approval of appointment for Short term staff based on request made by the concerned department/Unit and reviewed by the Human Resource Department. All short-term staff renewals are based on completed staff appraisals that are done by their immediate supervisors.**

**The Council will consider a policy on duration of short term and temporary recruitments.**

## **Un-authorized Budget Roll Over**

**Mr Speaker, Sir**

**The Council of Ministers took note of the recommendations of the Committee on Accounts about the alleged Un-authorized Budget Roll Over, and that management should always adhere to approved budget and work plan in order to avoid mis-use of funds, and we directed Managements to fix payments for the commitments and do disbursement as early as possible.**

## **Wasteful Expenditure during Staff Interviews**

**Mr Speaker, Sir**

**The Council noted the recommendations of the Committee on Accounts about what was reported by the Audit Commission as Wasteful Expenditure during Staff Interviews . In responding to that query, Council noticed that the FY' 2012- 2013 was the first time the EAC contracted an independent reputable international firm to help with the recruitment process.**

**This is aimed at getting value for money, as well as shortening this process, which has been less than optimal in the Community. This policy is beginning to bear results, although it has its teething problems. During the year under review, 5 individuals, not short listed by the firm, were invited for interviews. A total of USD 1,881(not the total cost of the recruitment exercise of USD 40,000) was incurred as transport refund to the 5 candidates. It is gratifying to note that only qualified candidates initially short listed, were finally recruited. However Management has been directed to institute a review of the circumstances under which these individuals were invited, and action, in compliance with the Staff Rules and Regulations will be taken on any member of staff found to have been involved in any breach of the Rules and Regulations. Results will be availed in the next audit report.**

## **Excessive payments of Daily Subsistence Allowance (DSA)**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reports, referred to excessive payments of Daily Subsistence Allowance. Council proved that all the activities were approved by the Assembly, subject to a Calendar of Activities approved by the Council of Ministers, in respect of all Council decisions and received operational clearance by Management. EAC's activities are implemented in the 5 Partner States and the Calendar of activities clearly indicates where meetings should be held. To this effect, The Council directed that save for self-accounting EAC Institutions, EALA, and EACJ, statutory/policy and technical meetings for Organs and Institutions of the EAC, should rotate and be shared between Headquarters and Partner**

**States on a ratio of 50/50 basis; subject to further review and finalization of the Study on Equitable Sharing of the Costs and Benefits of the Community integration (EAC/CM 25/Directive 12).**

**Mr Speaker, Sir**

**During the Committee discussions, Members themselves noted that the 200 days mentioned in the report were not factual. The staff member mentioned as having travelled most during the Period under review, was the officer responsible for EPA and a Monetary Union Protocol negotiations, which were intensive during that period. To cast aspersions on his activities especially for the period under review is an unfortunate conclusion.**

**Irregularities in procurement of air tickets**

**Mr Speaker, Sir**

**The Council of Ministers welcomes the recommendations in this area. We established that Procurement of tickets is done through a framework contract agreement with a given travel agent for a defined period of two (2) years, after which it is re-advertised. Routes on tickets may change if participants involved in other meetings in other locations other than their Partner States require tickets to be changed from those locations; sometimes delegation lists can be changed by those Partner States; or sometimes venues of meetings can be changed after all logistical preparations like issuance of tickets has been done, all causing these unplanned changes to tickets.**

**Mr Speaker, Sir**

**Regarding unutilized air tickets, it is a must to pay for any ticket issued. If unutilized, a claim is lodged for refund to the travel agent, but a portion is not refundable (eg. Tax, including penalties).**

**Mr Speaker, Sir**

**We wish to confirm that no private tickets were paid by the community, nor were two tickets paid for one individual for a single trip. The instances reported by the auditors simply refer to private tickets that individuals purchased and paid themselves to our Travel Agent *Attachments are available.***

**Furthermore, in case replacement tickets are issued due to unsuitable travel dates for the original tickets, refunds were secured from the Travel agent for the cancelled tickets. *Attachments are available***

**Mr Speaker, Sir**

**Given the importance of this expenditure, periodic Internal Audit of the Procurement of tickets is carried out, and the Internal Control Systems continuously strengthened. The audit report for FY 2012/ 2013 has identified additional issues many of which Management is addressing and will continue to do so.**

**Payment to M/s New Safari Hotel**

**Mr Speaker, Sir**

**With regard to Payment to M/s New Safari Hotel having been made without a Valid Contract, the Council noted that prior to shifting from the AICC Building, the East African Legislative Assembly had contracted the New Safari Hotel for offices of Hon. Members for USD 36,556.80 from January to June 2012. However given that the rent budget for July to December 2012 was approved by EALA as a supplementary budget under the EAC Secretariat vote, the contract had expired but Hon. Members continued using those offices until December 2012, and therefore the Secretariat had to pay similar amount USD 36,556.80, supported by an invoice forwarded by the office of the Clerk of EALA as claimed by service provider.**

**Engineering Audit Issues**

**Mr Speaker, Sir**

**A numbers of Engineering Audit Issues were reported on the EAC Headquarters Construction. The EAC headquarters building was constructed with the support of the Federal Republic of Germany, whom we thank for their support. It was designed to meet International standards, that can withstand volcanic tremors given the location of Arusha, and to allow for possible additional floors to cater for expansion of the Community. Financial Management was by KFW of Germany. No funds were directly managed by**

**the EAC. Despite design changes to cater for the accession of the Republics of Burundi and Rwanda, the building was completed within estimated cost.**

**Mr Speaker, Sir**

**Construction was managed by a Project Management Team composed of Engineers and Architects from the 5 Partner States served by 1 EAC Staff. It was supervised by an external, non-East African consultant firm jointly procured by KFW and EAC. A deliberate clearance system was instituted to make sure the Financier paid only for what the Community received. At the end of the construction, as is usual practice, a defects liability period, included in the contract with the contractor, came into force. A very detailed snag list, which includes all the issues raised in the report was compiled and agreed. The defects are being rectified at no additional cost to the Community, as confirmed by the Federal Republic of Germany. No funds were either misused, or misappropriated. Before full closure of the project, Management is working with the Financier, and the Consultant to make sure the Contractors and sub-Contractors fully meet their contractual obligations under the Project.**

#### **EAST AFRICAN COURT OF JUSTICE (EACJ)**

**Mr Speaker, Sir**

**Council considered the recommendation on expenditures incurred by EACJ and directed its organs and institution to ensure that funds are efficiently spent. Meetings should be held according to the calendar of activities, and those which are not on the calendar shall be held in EAC offices, and Depending on the distance of travel from Headquarters, Management was directed to Institute clear guidelines to rationalize the use of Community resources.**

#### **Increase in receivables from the EAC Partnership Fund**

**Mr Speaker, Sir**

**Audit Commission reported an increase in receivables figure due from the EAC Partnership fund. The sum of USD 368,299 in question was budget**

**support to EACJ from Partnership Fund of the EAC Secretariat. The entire amount has since been fully refunded by Partnership Fund as detailed below;**

- Telegraphic Transfer of 19/11/13 of US\$ 190,770, and**
- Cheque No.6283 dated 16th June 2014 of US\$ 147,358**

### **No Compliance with Human Resource Rules and Regulations Criteria**

**Mr Speaker, Sir**

**It was reported by the Audit Commission that there was No Compliance with Human Resource Rules and Regulations in payment of *Acting allowance*.**

**Council noted that the said staff in question acted as Court Administrator, in a position which fell vacant since November 2011. Following the recommendation by the Audit Commission, the Court stopped paying him acting allowance from December 2014. The position of Court Administrator will be filled after new recruitments.**

### **Vacant posts within the EACJ**

**Mr Speaker, Sir**

**Regarding the Vacant posts within the EACJ, the EAC Secretariat is in the process of finalising the recruitment of significant number of staff to fill vacant positions.**

### **Filing fees charged by EACJ**

**Mr Speaker, Sir**

**The Audit Commission observed that filing fees charged by EACJ were not being banked promptly. Council established that the delay was being caused by the way the case filing fees were received from the applicants. Sometimes the amount collected was as little as USD 10 therefore the Court would wait until the amount reaches a reasonable amount of at least USD 200 to deposit**

**the funds with the bank. We agree with the auditors recommendations that prompt banking must be done regardless of the amount received. Currently the EACJ is banking paid fees the same day they are received from applicants.**

### **Training plan for EACJ**

**Mr Speaker, Sir**

**It was reported by the Audit Commission that, there was no evidence that EACJ had an approved training plan during the period under review. The criteria for the training of staff of the Court is from the staff training needs assessment obtained from the staff appraisal process. It is at that point that the Registrar either agrees with the staff on the area of training identified or advises which area he thinks can be more helpful to the staff. As to how the staff is chosen when there are funds for training, the Court follows a roaster that guides who is next in line for training. The staff that went for training are the ones that had not been trained when their trainings were due because they were officially engaged with office activities. When they indicated their availability, they were sent for training.**

*Council considered the recommendation and Directed the EACJ to institute a training plan.*

### **EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)**

#### **Irregular payment made by the EALA members and staff**

**Mr Speaker, Sir**

**The Audit query shows there were irregular payment made by the East African Legislative Assembly of per diem to facilitate members and staff to attend funerals. The expenditure in question was related to the participation of EALA Members and staff in the funeral and burial of an eminent son of East Africa, the late Rt. Hon. Eriya Kategaya who at the time of his death, was the Chairperson of the Council and the 1st Deputy Prime Minister of Uganda. It was therefore important that EALA to be represented by Members from the respective Partner States. The funds were charged to the**

**budget line of facilitating Members to attend National functions which exist in the EALA budget.**

### **Flouting of Procurement Regulations under Partnership Fund**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reported about the Flouting of Procurement Regulations under Partnership Fund Support. The Decision of the procurement final award is based on assessment of both technical and financial assessment. This is called Quality and Cost Based Selection method. This sometimes can lead into a bidder technically evaluated highly, not being awarded a contract. However Council directed the Secretariat to abide to the procurement regulations to avoid unnecessary claims.**

### **Training in Microsoft Office in Dubai for USD 15,507.6**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reports questioned and observed that Training in Microsoft Office in Dubai for USD 15,507.6 as misuse of funds. The clarification obtained by the Council is that Sometimes staff are required to go for specialised trainings organised at the vendor's headquarters. Certain training can be advanced hence requiring trainees being handled directly by the experts on the software. This being said, Management appointed a Human Resources Advisory Committee in March 2013 that advises on matters of training of staff.**

***The recommendations from the Committee have been noted and a Training Plan based on the training needs identified in the individual staff appraisal is being developed.***



## **Purchase of two mobile phones for USD1,791**

**Mr Speaker, Sir**

**We concur with the Audit Commission and the Committee on Accounts' recommendation. One phone was purchased following the procurement procedures, from the communication equipments budget under the Partnership Fund. The other phone was purchased using imprest.**

*The Council warned the Officer, and the Secretariat recovered the amount used to purchase a phone from accountable imprest, and put in place necessary controls to ensure that in future, imprest is not used to buy items not originally planned for. **Attachments are available***

## **Financial Sector Development and Regionalisation Project**

**Mr Speaker, Sir**

**It was reported by the Audit Commission and EALA Committee on Accounts that an Expenditure on Planning Meeting to Restructure the Financial Sector Development and Regionalisation Project – USD 8,750 as avoidable. The project's executive committee required management to restructure the project work plan and project design and hence required the staff and management to bond in a retreat environment, working late and ultimately produce a redesigned project. It is for this reason that management gave approval to take this staff retreat to Moshi Municipal.**

*However, as indicated above, Council has directed management to take the necessary steps to ensure that in future, activities are done in an economic efficiency.*

**Mr Speaker, Sir**

**Regarding the budget performance of the Financial Sector Development and Regionalisation project, the project performed poorly during the Financial Year under review because recruitment of staff was not finalised at the time. The project has since recruited staff and its budget absorption capacity has since improved. The other reason for low absorption was due to the long EAC-World Bank project procurement procedures that the project had to go through in execution of its budget.**

## **USAID Comprehensive Support to EAC Project.**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reported that there was poor Budget performance of the USAID Comprehensive Support to EAC Project. The project performed poorly during the FY under review because recruitment was not finalised at the time. The project has since July 2013 recruited staff and its budget absorption capacity has since improved.**

**Mr Speaker, Sir**

**Poor Budget Performance of the HIV-AIDS Project was also reported by the Audit Commission as a query. The project performed poorly during the FY under review because recruitment was not finalised at the time. The project has since July 2013 recruited staff and the budget absorption capacity of the project has since improved.**

***In order to improve the management of projects, EAC management has commenced modalities to have a Project Management Unit within the office of the Secretary General.***

## **Budget Performance of African Peace and Security Architecture Project**

**Mr Speaker, Sir**

**Regarding the Budget Performance of African Peace and Security Architecture Project, the low budget performance of the project was due to under budgeting for staff salaries and allowances. For the year under review, the AU-APSA project disbursed funds to support the project, though during the budgeting processing, staff allowances were not provided for leading to an understated budget. Further, the budget for the FY under review included a capped rate of USD 450 for an air ticket. Though during the actual implementation of the budget, air ticket costs and hence actual budget spiralled leading into expenditure beyond the budget for that input. *The***

*Council has however taken note of the recommendation of the committee and directed the EAC Management to always develop realistic annual budgets for the project.*

### **Road Infrastructure Project**

**Mr Speaker, Sir**

**It was reported by the Audit Commission that there was weaknesses in Consultancy Contract Management under the Road Infrastructure Project whereby some documents were not on file. This has been addressed by improving the filing of all necessary information on every payment voucher.**

*Council was assured that the original contract and the subsequent contract addendum copies are available for verification.*

### **Management of Receivables and Payables**

**Mr Speaker, Sir**

**The Council established that EAC Management has initiated the process of communicating to the respective road agencies and upon agreement, management will clear off these transactions from the books of accounts. As recommended, this evidence will be provided to the Audit Commission during the audit of FY 2013/2014.**

### **Unsupported Expenditure, Receivables and Payables under IBAR Project**

**Mr Speaker, Sir**

**This was due to misfiling documents. All the supporting documents are now available and can be provided and verified in the audit of the FY 2013/2014. *The overpaid USD815 (Daily Subsistence Allowances) has been recovered from the staff based on debit note No. 1309 issued to the EAC Secretariat by the Project.***

*Finally, the Debit Note to M/S Wing Link Travel Agent for USD668 was taken into account before closing the account with the supplier, and was deducted from the final payment.*

**Unaccounted Advances and/or Allowances to Staff under Medicine Regulations Harmonisation Project**

**Mr Speaker, Sir**

**Management provided all accountabilities for the project to the Committee on Accounts for verification. The committee was satisfied with the submissions and this matter was cleared.**

**The reported Poor Budget and Implementation Performance for this Project during the year under review was due to late remittance of funds from the development partner and also the late recruitment of staff on the project. The project has since recruited all the approved staff and has improved on its budget performance.**

**Unbudgeted Expenditure of USD 6,900 under the Regional Integration Support Project (RISP)**

**Mr Speaker, Sir**

**At its 13th Ordinary session, the Summit expressed support for the Kampala Accord regarding the regional political peace initiative in Somalia whose implementation involves the African Union, European Union, the League of Arab states, inter- governmental Authority on development, Indian Ocean Commission, United Nations Political Office for Somalia (UNPOS) and the East African Community in a joint peace implementation mechanism” Somalia had also applied to join the EAC. The Kampala Accord had been signed on 9th June 2011, between the president and the speaker of the transitional Federal Parliament of Somalia for the purposes of ending the political transition in Somalia by August 2012.**

**Mr Speaker, Sir**

**A number of challenges however impacted on the envisaged smooth ending of the transition. In response thereto, the signatories of Kampala Accord roadmap on 12 June 2012 to establish a mechanism (Technical Selection Committee) to closely facilitate the monitoring of the remaining process, in particular the elections.**

**Mr Speaker, Sir**

**On 15th June 2012, the then Special Representative of the UN Secretary General for Somalia, Amb. Augustine Mahiga, paid an urgent visit to the EAC Secretary General to update him on the implementation of the Accord. In particular, that the EAC had been designated one of the seven (07) international organizations to observe the elections to be conducted between 20th July and 20th August 2012 - the end of the transition. A formal letter to that effect was received on 27th June 2012.**

**Mr Speaker, Sir**

**Although the budget process including work plans had been completed, the Summit decision in (1) above meant that EAC takes exceptional measures to respond to the request by the UN secretary General. Furthermore, given the situation in Mogadishu at the time, it was necessary to get someone familiar with the Somalia Situation. On the basis of her academic and practical experience, Ms Amanda Magambo was interviewed by the EAC Management, offered a contract and dispatched to the field. The assignment was duly completed and a report presented to the council.**

**Mr Speaker, Sir**

**Management wishes to confirm that the implied expenditure was incurred under exceptional circumstances towards ending the political transition in Somalia. It followed the request of the UN Secretary General, the summit decision and the fact that Somalia has applied to join the EAC.**

***Funds were secured from General Reserve Fund Nonetheless, management will do all possible to ensure that prior planning always informs its activities***

**Irregular Payment of VAT - USD 12,379.35**

**Mr Speaker, Sir**

**Management made the claim for refunds to Tanzania Revenue Authority (TRA) and refund comes in a lump sum to the EAC Secretariat. The challenge is identifying exactly how much has been refunded per project as sometimes refunds made from TRA may not match the claims initially made to the Authority. Regarding the Refundable VAT reported as not claimed, We took note of the recommendation of the Committee and claims for refunds to Tanzania Revenue Authority (TRA) will be made and verification will be done during the next audit of FY 2013/2014. Negotiations between management and TRA have been initiated to request TRA to send refunds directly to the project bank accounts.**

*Council will lead negotiations between management and TRA and address the issues of tax exemption and processing of tax claims with all EAC Partner States.*

#### **Miscellaneous Projects Dormant Funds**

**Mr Speaker, Sir**

**The reported dormant Projects Funds amounting to USD2.1 million were due for transfer to the Swedish International Development Agency (SIDA) after closure of the Project which was supporting the EPA negotiations. The Funds were transferred to the SIDA's bank account in April 2014.**

**Procurement Committee**

**Mr Speaker, Sir**

**Concerning the Account name, Management has implemented the recommendation from the Committee to change it, and its new name is EAC General Support Project Account (SPO) with effect from January 2015. The Accounts Committee noted inconsistencies in the meetings of the Procurement Committee. The Procurement manual provides that in cases of urgent procurement, the Chairperson can on recommendation of the Secretary General, approve the procurement subject to ratification of the full procurement committee.**

## Miscellaneous Projects Account

Mr Speaker, Sir

The Audit Commission Report pointed out issues regarding what is reported as Unsupported Transactions on the Miscellaneous Projects Account. Below is a detailed explanation of each of the transactions that were said to be unsupported.

Project Code	Base Amount	Transaction Amount	Currency Code	Journal No.	Transaction Date	Transaction Reference	Management Comments
NA01	36,690.00	36,690	USD	3097	24/08/2012	Nordic Africa/REF/3752-22356	This was fund Received from Nordic Institute of Africa-Funding agreement was availed to the Auditors
FA01	-135,513	135,513	USD	2161	28/09/2012	100363-Correction of A/C	This was a refund to FAO-for un-used fund, documents availed to the auditors (The document is available)
UN06	-170.38	-267,500	TZS	2162	28/09/2012		This was a payment to Winglink for the supply of air tickets
ID01	1,000	1,000	USD	4728	11/09/2012	100332	This was an excess on retirement

							refunded by a staff
SI01	-180	-180	USD	10967	09/05/2013	100451	This was refund to a staff for EPA negotiation meeting held in Kampala
GC01	100,000	100,000	USD	21130	30/06/2013	065JVJUV'13	Fund Received from Government of China to support activities in Infrastructure- the funding agreement was availed to the auditors

### **The Climate Change Project**

**Mr Speaker, Sir**

**The observations from the Audit Commission report show that the Climate Change Project experienced low absorption during the year under review. The Council noted that this was due to the delay in the recruitment of staff managing the project. Management recruited the five (5) project staff in May / June 2014 and its performance has improved and this can be verified by the audit in the FY 2013/2014.**

### **LAKE VICTORIA BASIN COMMISSION (LVBC)**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reports also revealed Weaknesses in Management of Accountable Imprest at Lake Victoria Basin Commission (LVBC). Council was satisfied that the**



**outstanding imprest at end of FY 12/13 was recovered in full from staff salaries and subsequently, accountability has been greatly enhanced and as at close of FY 13/14, outstanding imprest was only USD 28,200, mainly attributed to activities that were due to take place in the subsequent month of July 2014.**

**Mr Speaker, Sir**

**The observed poor budget performance at LVBC that was shown in Audit Commission was a result of a delay in release of funds for various activities funded by Development Partners for Lake Victoria Water & Sanitation (LVWATSAN). Furthermore, there was no disbursement for some projects like Maritime and Coordination of Safety on Lake Victoria (MCSLV) as funds were not obtained as anticipated in the budget.**

**Mr Speaker, Sir**

**LVWATSAN program budget was inclusive of funds sent directly to Partner States by the Donor which were contributing about 88 % of the budget. Out of the 12 % of the budget to LVBC, over 65 % was for Training and Capacity Building (TCB)- a program component that was contracted to UNHABITAT. The TCB component was paid to UNHABITAT and therefore treated as spent, and overall, the budget component to LVBC spent was about 92%. The Partner States budget allocated was pegged on the expectation that various procurements would be completed to facilitate expenditure, but the same were delayed and expenditure was slowed. Given the large contribution of the Partner States' budget in the overall budget, the aggregated expenditure significantly reduced resulting into the low absorption rate.**

**Mr Speaker, Sir**

**However, strategies employed to regularly monitor progress on project work plans have changed this trend. All the implementation Agencies (IAs) in each Partner State have contracted national consultants and contractors, heavy goods and construction works, where the bulk of the budget lies will be consumed. We therefore expect a total shift in the consumption trends in the immediate past and coming months. In addition, Funds disbursed to Partner**

states directly are no longer included in the Commission's budget. Meanwhile, progress has been made in this project.

**Mr Speaker, Sir**

**Excessive Payment of Travel and Daily Subsistence Allowances was reported. The Commission spent US\$ 1,597,208 as DSA during the year 2012/2013. The approved budget for travel during the FY year under review are summarised in table below;**

<b>Description</b>	<b>Approved Budget FY 2012-2013 (USD)</b>	<b>Actual expenditures (USD)</b>	<b>Balance (USD)</b>
<b>Travel and Subsistence ( ticket and DSA)</b>	<b>1,602,529</b>	<b>1,597,208</b>	<b>5,321</b>

**Mr Speaker, Sir**

**The primary mandate of the LVBC is to coordinate all actors within the lake region with a view of implementing planned activities in a coordinated and sustainable manner. The activity of coordination to a large extent involves organizing and facilitating workshops and seminars. LVBC does not per se directly implement field activities but has a key role in monitoring and facilitating the implementation of those activities which mainly involves workshops and seminars.**

**Mr Speaker, Sir**

**In deriving the computation of number of days travelled, the wrong premise was used. Given the limitation of the chart of Accounts which was in use then, all travel related costs and subsistence allowance were being recorded on a single account. It is this single account that was used to derive the days travelled by dividing the total sum by the daily allowance rate without segregating air ticket costs and airport transfers hence creating a different scenario. As part of the evidence availed, Travel authorization forms when tallied portray a different scenario as was evidenced to the EALA Committee on Accounts.**

**Mr Speaker, Sir**

**Given the frequency of meetings, it is necessary to have staff to facilitate the meetings which are spread among the Partner states as per SECOM directive. Some cadres of staff like Accountants mentioned in the report are mandated by the EAC financial rules and regulations to facilitate meetings where the imprest is over USD 20,000. However, continuous improvement is being made. The chart of accounts has been harmonized with the one of EAC Secretariat so that the proper analysis of transactions can be done.**

### **Weakness in the management of the ICT function**

**Mr Speaker, Sir**

**It was also reported by the Audit Commission that there was Weakness in the management of the ICT function,**

*The LVBC management has taken note of the recommendations of the committee and to this end recruitment of an ICT officer has been finalised to spearhead the revitalisation of the ICT function.*

**Mr Speaker, Sir**

**In order to properly manage Fixed Deposit Accounts in LVBC, an investment register is being maintained under the custody of the Senior Accountant and subsequent deposit certificates for the Fixed Deposits are available. In addition, the Investment committee supervises the call for quotations which is competitively done from established Banks in Kenya regulated by the Central Bank of Kenya. Management of Imprest has also been improved as can be verified by the Audit Commission during the next audit.**

**Mr Speaker, Sir**

*The Council has taken note of recommendations of the Committee on Fuel Management, and has directed management of LVBC to implement the provisions of the procurement manual in the sourcing of a fuel service provider and this can be verified by the Audit Commission at the next audit of the FY 2013/2014.*

**The issue of avoidable expenses due to meetings held at Gisamai and Vihiga has been addressed through the Secretary General's Circular dated 9th February 2015. *Council directed management that due diligence must be exercised before staff can be allowed to hold meetings outside the office, and cost has to be minimised by only paying out of pocket allowance rather than full per diem.***

### **Anomalies in Facilitation for Scientific Conference**

**Mr Speaker, Sir**

**The Council has taken note of the Auditor's recommendation. The scientific conference was funded by several projects. Each project was allocated the amounts and activities to be funded.**

*Council noted that, the amount of US\$.40,350 was paid by Partnership Fund to be refunded from the other projects. Management was warned not to do reallocation of funds between the programmes without prior approval by the Council, the anomaly in charging the allocation to Partnership Fund was noted and directed that relevant reallocation and refund from other projects will be done.*

### **Payroll Management-Donor Funded Staff**

**Mr Speaker, Sir**

**The payroll for Projects staff is prepared like the one for established/core staff though the Projects' staff costs were posted to the general projects costs account. However, effective July 2013, the posting is done to each segregated expenditure account.**

*The Chart of Account has been redesigned to enhance this. This will facilitate expenditure reporting based on expense line items and hence, facilitate variance analysis.*

### **Risk Assessment**

**Mr Speaker, Sir**

**The LVBC management have developed a Results Based Management System (RBMS) that takes into account risk management considerations. This RBMS**

**was developed and presented to the 12th Sectoral Council of Ministers for LVB meeting held in Mwanza in October 2013. The Commission was subsequently directed to share the RBMS with Partner States for inputs. LVBC is yet to receive comments from all the Partner States. Meanwhile, LVBC is implementing some quick issues of the Risk Management and has included this and other risk management activities in the budget for 2015/16.**

### **Accounts Payable**

**Mr Speaker, Sir**

**Council and LVBC Management took note of the Auditors recommendation. The linkage between Sun Accounting and Purchase ledger was not well configured leading to balances on supplier accounts. This led management to suspend the use of purchase ledger. There was inadequate training on the use of purchase ledger. The vendor has offered refresher training on the module which has been reintroduced this financial year.**

**Mr Speaker, Sir**

**Subsequently, individual supplier ledgers were created following the upgrade of SUN system. In addition, further training on Sun system purchases ledger module was organized to eliminate earlier deficiencies on part of the users. The unapproved purchase invoices relate to charges of stationery usage by the projects, given that for cost efficiency purposes stationery is bought in bulk and then projects charged on usage and the documentation used for this are stores requisition notes given that the Commission has not generated invoices for charging projects for this. The amount mentioned was outstanding from projects at the end of the reporting period.**

### **VAT Claimable**

**Mr Speaker, Sir**

**There was also a query concerning VAT Claimable. The Council has established that LVBC management has already made a claim for the amount of VAT due. Council noted that exemption is being executed on case by case basis. KRA does not give a blanket exemption. This issue is being addressed at the level of EAC Secretariat and discussions with all Partners States on VAT exemption are being held. The Council directed Management to ensure that all claims are lodged when due.**

#### **Deferred income from Donors**

**Mr Speaker, Sir**

**It was also reported that there was deferred income from Donors. The funds received by Partnership Fund (PF) were less than actual expenditure in the year. Funds expected during the year for implementation of activities were received after the year under review while PF had already borrowed funds amounting to Us\$.297,272 for the implementation of its activities as reflected in the accounts. This is the cause of a debit balance of Us\$.297,995 under deferred income. The amount was refunded in the financial year 2013-14. There are no outstanding balances between the two projects.**

*Management was warned not to do interborrowing or reallocation of funds between the programmes without prior approval by the Council, to avoid accounting discrepancies.*

#### **LAKE VICTORIA FISHERIES ORGANISATION (LVFO)**

**Doubtful Expenditure Us\$.61,547**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reports shows Doubtful Expenditure of Us\$.61,547 spent by Lake Victoria Fisheries Organisation (LVFO)'s. Council directed the LVFO Management to review the vouchers identified by the Auditors go through the management reports, and accountabilities submitted and it was established that the expenses were actual and where doubt was casted, communication to the relevant staff should be made followed by recoveries from their respective salaries.**

## **Unclaimed VAT - Ugshs.5,903,331**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reports shows Unclaimed VAT of Ugshs.5,903,331 that should be claimed by LVFO. The LVFO Management contacted Uganda Revenue Authority and had the LVFO VAT File activated on 1st May 2014. The LVFO Executive wrote to URA on 4th June 2014 requesting the VAT Registration to be backdated to allow for backdated claims. The URA advised that claims should be logged online which the organization has done.**

*The process for refund is on-going and is being followed up by the management and receipts will be reviewed by the Audit Commission in the audit of the financial year 2013/2014.*

## **Budget Control on overspent budget lines**

**Mr Speaker, Sir**

**The Audit Commission and EALA Committee on Accounts reports revealed that there was a Budget Control on overspent budget lines. The LVFO Management is careful in observing the budget-lines. With support from the EAC Secretariat, an Accounting System – SUN Systems and the Budget Management Systems, is now installed and used with strict budget management undertaken. However, some of the over-expenditures are a result of under-budgeting due to budget ceilings. The Management had to attend to the EAC Regional meetings which were not factored in the given year budgets. Council has directed the Management to request the Sectoral Council to allow the institution to submit realistic budget figures for FY 2015/2016 to avoid such a scenario re-occurring.**

## **Gratuity Contributions - Asset not matching Liability**

**Mr Speaker, Sir**

*The Gratuity funds have been reimbursed to the gratuity account and the organization no longer borrows from the gratuity account. Due to outstanding*

**Country Contribution of US \$ 1,112,041.78 the Organization has yet to pay the borrowed funds from the EAC Reserve Fund and installation allowance to staff as presented in the Table below.**

**Table: Current Obligations:**

<b>SN</b>	<b>Details</b>	<b>Amount</b>
<b>1</b>	<b>Funds borrowed from the EAC Reserve Fund</b>	<b>254,777</b>
<b>2</b>	<b>Staff installation allowance</b>	<b>37,125</b>
	<b>Total</b>	<b>291,902</b>

### **Outstanding Receivables from Partner States**

**Mr Speaker, Sir**

**The Current Status of Country Contribution to LVFO and remittances received this Financial Year 2014/2015 is detailed in the Table below.**

**Table: Country Contributions for the Financial Year 2014/2015**

<b>No.</b>	<b>State / Country</b>	<b>Contributions Outstanding (2013/2014)</b>	<b>Contributions due (2014/2015)</b>	<b>Total Contributions due for 2014/15</b>	<b>Contributions received (2014/2015)</b>	<b>Balance due (To date)</b>	<b>Percentage performance</b>
<b>1</b>	<b>Republic of Kenya</b>	<b>122,208.08</b>	<b>335,600.70</b>	<b>457,808.78</b>	<b>122,243.67</b>	<b>335,565.11</b>	<b>27%</b>
<b>2</b>	<b>United Republic of Tanzania</b>	<b>482,827.44</b>	<b>335,600.70</b>	<b>818,428.14</b>	<b>297,556.36</b>	<b>520,871.78</b>	<b>36%</b>
<b>3</b>	<b>Republic of Uganda</b>	<b>500,191.52</b>	<b>335,600.70</b>	<b>835,792.22</b>	<b>580,187.33</b>	<b>255,604.89</b>	<b>69%</b>
	<b>Total</b>	<b>1,105,227.04</b>	<b>1,006,802.10</b>	<b>2,112,029.14</b>	<b>999,987.36</b>	<b>1,112,041.78</b>	<b>47%</b>

### **Convention for Establishing LVFO**

**Mr Speaker, Sir**



**The LVFO through the *Chairperson of the LVFO Sectoral Council of Ministers* wrote to the DG FAO-Rome in November 2014 with areas of the Convention proposed for amendment. The DG Rome wrote back on 9th Dec. 2014 with guidelines on the formats to be used. The FAO Rome Legal Officer will have inputs before the amendments are sent back to the Chair of the Council as provided for in Article XXI (2) of the Convention. Given the timelines as provided from FAO Rome in consideration of terms given under Article XXI, the process will be finalized by Mid-July 2015.**

**Meanwhile, as directed by the 30th Meeting of the EAC Council of Ministers (EAC/CM 30/Directive 76); LVFO is planning for a meeting with the Republics of Burundi and Rwanda to develop a roadmap to integrate the two Partner States into the Organization.**

#### **INTER-UNIVERSITY COUNCIL FOR EAST AFRICA (IUCEA)**

**Mr Speaker, Sir**

**The Audit commission reported that there were shortfalls in funding the Inter-University Council for East Africa (IUCEA).**

**The Council of Ministers noted the following;**

- i) The IUCEA Secretariat issues debit notes to Partners States only after EALA approval of the budget,**
- ii) According to the practice of funding to EAC, Partner States are required to remit 50% of the approved budget by end of quarter 2 as per EAC Council of Ministers directive.**
- iii) The Council of Ministers also directed Partner States to pay the arrears. Arrears amounting to USD 3,367,280 were received from the Republic of Kenya, and USD 581,000 from the Republic of Uganda.**
- iv) The situation has started to improve from partner states that now channel their contribution through the Ministries of East African Community Affairs.**

**Doubtful recoverability of contribution arrears \$12,853,914.80**

**Mr Speaker, Sir**

**The Audit Commission observed that IUCEA lacked the policy on the usage of recovered funds and thus revealed Doubtful recoverability of contribution arrears of \$12,853,914.80. Several reminders and letters have been written to Partner States, backed by EAC Council directives to the effect. Besides, the matter has been presented and discussed in several meetings including the 24th Meeting of the EAC Council of Ministers where directive EAC/CM24 was issued, directing Partner States to timely remit their contributions.**

### **Outstanding balances of annual subscription fees**

**Mr Speaker, Sir**

**The Audit Commission observed that there were Outstanding balances of annual subscription fees. The Council *directed management to remind Member Universities of their dues and the Balances though they are being received from Member Universities.* This will be verified by the Audit Commission in the audit of the FY 2013/2014 that has now commenced.**

### **Risk Management**

**Mr Speaker, Sir**

**It was reported that the Audit Commission was not provided with any evidence of risk assessment processes to diminish risks. This was attributed to absence of a risk management policy at IUCEA. The Council of Ministers acknowledges the importance of the Risk Management Framework and importance of this document. In financial year 2013/2014 IUCEA engaged consultants who have produced a Risk Management Framework document that was presented and discussed at the 16<sup>th</sup> Executive Committee Meeting. A report on the progress of implementation of the framework will be presented to the Executive Committee in June 2015.**

**Mr Speaker, Sir**

**EAC Secretariat is also leading an Institutional wide Risk management project after the Council approved the EAC Risk Management Framework. A**

**Risk Management Coordinator is also being recruited in order to spearhead the Risk Management processes and roll out to all EAC Organs and Institutions.**

### **Bank Reconciliations**

#### **Unsupported Bank Balances**

**Mr Speaker, Sir**

**The Audit Commission reported that a review of bank reconciliation statements revealed three bank account balances which were not supported by bank certificates. The IUCEA Management responded that the Account in National Bank of Commerce - Dar es Salaam is dormant and is in the process of closing it. The difference of USD 6,451 is due to a General Ledger revaluation process which harmonizes the different exchange rates for currencies other than USD (which is the reporting currency) used over the Financial Year. It is a book difference and not actual loss of cash. The Variance of USD104.97 was adjusted in accounts 2012/2013 through Journal Voucher Number 1780.**

**Non clearance of long outstanding elements**

**Mr Speaker, Sir**

**The Audit Commission reported that the review of the bank reconciliation statements revealed some Non clearance of long outstanding elements /transactions which are not cleared by the close of the financial year. These have been adjusted by reversal entry in the books of accounts and cleared in the FY 2013/2014.**

## **Withholding tax deduction**

**Mr Speaker, Sir**

**The Audit Commission reported that from the review of the bank reconciliations, it was observed that there is a Withholding tax charged on the interest earned on the deposits held by the IUCEA with the bank. IUCEA is a third party in the transaction, and the tax was deducted by Stanbic which is supposed to remit the deductions to Uganda Revenue Authority.**

*However on the advice of the Audit Commission, Management has written to the bank to provide the certificates and also the IUCEA staff bank Agent is following it up. Management has obtained a Credit Certificate of Ugx 13,926,498 out of total a UGX 47,042,594 withholding Tax payable to URA, Management is following up on the certificate for the balance and The Uganda revenue Authority has issued IUCEA with a tax exemption certificate.*

## **Un supported differences in Fixed Deposit Accounts**

**Mr Speaker, Sir**

**The Audit Commission reported that the Council maintains fixed deposit accounts with different banks for purposes of investment. The difference of USD 6,451 is due to a General Ledger revaluation process which harmonizes the different exchange rates for currencies other than USD (which is the reporting currency) used over the Financial Year. It is a book entry difference and not a loss of cash. The Variance of USD104.97 was adjusted in accounts of the financial year 2012/2013 through journal number 1780.**

## **Absence of comprehensive fixed asset register**

**Mr Speaker, Sir**

**The Audit Commission reported that a review of the fixed assets lacked significant asset details. *The Council concurred with the Audit recommendation and directed management to update and maintain the fixed asset register.* In May 2013, the Secretariat acquired a Fixed Assets module and all Fixed**

**Assets features like Asset Code, Location, Condition and others are now in the asset register.**

### **Construction of the IUCEA headquarters**

**Mr Speaker, Sir**

**The Audit Commission observed that there was delayed construction and co-ownership of land title. The Council confirmed that the Uganda Land Commission approved the change of name on the land title to IUCEA, under a 5 Year Lease, extendable to 49 Years. IUCEA Management is following up on Registration Process. The headquarters Construction Contract was signed on the 10th June 2014 and Construction started on 1st July 2014 and is expected to be completed by the end of March 2015 funding allowing**

**Mr Speaker, Sir**

**Council established that secretariat was in the process of recruiting officers for the prioritized positions of Principal Human Resource Officer, Cashier and the Procurement Officer. The three positions were advertised in November 2014 and applications were received on 19 December 2014. The selected candidates to the three positions will be approved by the Executive Committee at its meeting that will take place on 27th March 2015.**

### **Weakness in IUCEA's book keeping**

**Mr Speaker, Sir**

**It was reported that there was weakness in IUCEA's book keeping. The Council took note of this and directed the Management to improve its book keeping which it is doing. IUCEA's main operating account, the Citibank account has an online banking system and the payment vouchers serial numbers generated are the only reference in use as a control, while for other accounts the cheque numbers of the cheque leaves used are the references used as a control measure.**

## **Anomalies in salary advances**

**Mr Speaker, Sir**

**The IUCEA management has developed the Staff rules and Regulations that have addressed the issue raised.**

## **Effectiveness of Internal Audit Unit**

**Mr Speaker, Sir**

**In order for the IUCEA internal audit unit to be more effective the management is in the process of recruiting two Internal Auditors to strengthen the capacity of Internal Audit. Applicants have been interviewed and one of them was appointed in February 2015.**

**A Risk Management Framework has been developed and approved by the 16th Executive Committee Meeting. The EAC Secretariat has also put in place an EAC institution-wide Risk Management Framework, for which a Coordinator is being recruited to spearhead the rollout of Risk management best practices across all EAC Institutions.**

## **Review of control environment**

**A VicRes Project Accountant was recruited on 1st of April 2014. Job definitions and specifications for all established positions are provided for in the Functional Job Analysis report that was finalised and presented to the Executive committee of IUCEA in March, 2013.**

## **VICRES account advances for research funds**

**Mr Speaker, Sir**

**All the University researchers to whom funds were advanced have been reminded several times and continuously by e-mails of this responsibility. The outstanding funds advanced have reduced from USD 3,093,538 to USD 493,670 as at 31<sup>st</sup> December 2014.**

**During the Partners' meeting held on 23rd April 2014, it was agreed that projects that had accounted for funds using the old format will be removed from the list after ensuring that valid supporting documents are provided.**

*Council directed secretariat to remind researchers of their obligation to account for the funds and outstanding dues or take legal actions.*

#### **Absence of funds recoverability guidelines**

**Mr Speaker, Sir**

**The following actions have been taken by the management of the IUCEA**

**a) Funds Management Policy**

**IUCEA has developed a Research and Innovations Policy that was approved in June 2014 and has embarked on the process of developing Guidelines to implement it which includes a clause on accountabilities and recovery of unused funds.**

**b) Death of researcher**

**The Project Investigator/Team Leader was contacted and replied in a letter dated 20 March 2014 that he did not have information on the status of funds disbursed to Sokoine University of Agriculture.**

#### **Long Outstanding Liabilities**

**Mr Speaker, Sir**

**The management of IUCEA have addressed these outstanding liabilities and will be availed for review by the Audit Commission in the audit of FY 2013/2014.**

#### **Unclear regulation on salary deductions**

**Mr Speaker, Sir**

**The New IUCEA Staff Rules and Regulations were approved by the Executive Committee in June 2014 and they address the issues of staff salary deductions.**

**CIVIL AVIATION SAFETY AND SECURITY OVERSIGHT AGENCY  
(CASSOA)**

**Mr Speaker, Sir**

**Non-disclosure of Assets in the Financial Statements of the**

- a) **CASSOA has valued the land and buildings at the Agency facilities in Entebbe, Republic of Uganda and the same will be reflected in the Assets register for the FY 2013/2014.**
- b) **CASSOA received the lease offer for the land in May 2013 from the Uganda Land Commission which was made to Uganda CAA for use by CASSOA. The Ministry of EAC Affairs of the Republic Uganda is making efforts to secure the title in the name of CASSOA as directed by the Council. The Minister of EAC Affairs Republic of Uganda has committed to assist and support this endeavour and conclude the long standing issue in the shortest time possible.**

**Irregular budgeting of Reserve and idle Reserve funds**

**Mr Speaker, Sir**

- a) **The use of reserves ceased in FY 2013/2014 and the reserve fund has been rebuilt to \$350.000. The budget is now fully funded by contributions from Partner States CAAs and funds from development partners/partnership funds.**
- b) **The Agency has resumed investing the idle funds (reserve funds and gratuity) and earned interest of US\$ 8,900 in the Financial year 2013/2014. The Agency is continuing to source for banks in the EAC region that give better interest rates on dollar investments.**

**Irregular accumulation of leave**

**Mr Speaker, Sir**



**The Agency agrees that there was an error in the calculation of accumulated leave which has since been rectified. Currently, the calculations for outstanding leave is done only for accrued leave that is authorised and within the provisions of Staff Rules and Regulations.**

**Service delivery by the Agency**

**Mr Speaker, Sir**

- a) The Council agrees that the current salary structure under the EAC main structure is not able to attract or retain qualified personnel especially technical experts. The EAC Secretariat management has also expressed the desire to disengage CASSOA structure from the mainstream of EAC structure which has been forwarded to the Institutional Review consultants and it is hoped that this vital issue will be appropriately addressed.**
- b) The Partner States CAAs contributions continue to be the main source of funding for the Agency. This funding has seen a 30% increase in the last 2 financial years. However, the CAAs have expressed the inability to sustainably continue to fund the Agency and its activities. The increased Agency programs and projects such as the establishment of the Centre for Aviation Medicine and the EAC Aviation Examination System pose challenges of more funding that cannot be provided under the current mechanism. The Sectoral Council of TCM is currently working on the establishment of sustainable funding mechanism together with EAC Secretariat and CASSOA.**

**Staff recruitment**

**Mr Speaker, Sir**

**The Organisation Structure has since the last Audit been changed after the midterm Strategic plan with change in staffing designation and titles. However the Agency is still significantly understaffed in the technical domain.**

**The multi-tasking that has been perceived as lack of Segregation of duties is as a result of inadequate staffing which is prompted by the available staff having performed duties that will enhance the overall effectiveness of the Agency.**

*Council of Ministers urged Partner States to either provide more funding or allow the alternative funding mechanism being developed by Sectoral Council if the Agency is to be adequately funded sustainably.*

### **Information Technology Issues**

**Mr Speaker, Sir**

**Concerning the issues of IT, the IT Steering Committee has been instituted and is operational. Its findings and recommendations are also discussed at CASSOA Staff and Management Meetings.**

**a) A draft IT Continuity Plan (ITCP) has been developed but is yet to be tested. The overall risk management process at the Agency is in the development stages and is yet to be operationalised. The ITCP will gradually be enhanced as recommended.**

**b) The Council fully agrees that the function of Aircraft Incident and Accident Investigation should be given due attention. Work on the establishment of a regional organisation or unit to perform this task is being coordinated by the Secretariat. The Board of CASSOA directed the Agency Secretariat to develop regulations to guide incident and accident investigation, and coordinate the requisite activities for the time being.**

**Mr Speaker, Sir**

**The Council of Ministers has noted a number of issues that have led to operational challenges and hindrances that make it quite challenging for management to properly execute its administrative roles and deliver the mandate of the EAC.**

**These include;**

## **1. Inflexibility in the EAC Financial Rules and Regulations, 2012**

**Mr Speaker, Sir**

**The Council of Ministers has noted the inflexibility in the FRR, 2012 in among others the management and execution of the EAC but has also led to a number of audit queries which are occasioned by management trying to deliver their mandate whilst adhering to these inflexible regulations.**

*The Council of Ministers will direct the Secretariat to comprehensively review the Financial Rules and Regulations (2012) in order to resolve any inconsistencies and ambiguities.*

## **2) Interaction across and between the governing structures of the Community.**

**Mr Speaker, Sir**

**The Council of Ministers has also noted challenges in communication to the general public about the affairs of the Community which has led to negative publicity both internally and externally to the citizenry.**

**The Council of Ministers has resolved to initiate regular interactive sessions between the East African Legislative Assembly; the EAC Council of Ministers, the EAC Secretariat and the Audit Commission to discuss among others:**

- improvement of operational governance and responsibilities across all Organs and Institutions;**
- improvement of internal communication within the EAC Organs and Institutions;**
- improvement in communication from the EAC to the general public; and other management issues that may arise out of and during the course of the EAC's operations in a given financial year.**

**Council will continue to hold its Quarterly meetings including championing of sectors allocated among the Ministers through which it will interface with the Organs and Institutions of EAC in order to deliver its mandate of “promoting, monitoring and keeping under constant review the implementation of the programmes of the Community and ensuring the proper functioning and development of the Community in accordance with the treaty”.**

**Mr Speaker, Sir, I beg to submit**