Capacity Building Workshop Report

for

The EALA Committee on Accounts

Held in Bujumbura, BURUNDI
From 3rd to 6th August 2014

Clerk’s Chambers
3rd Floor, EALAWing
EAC Headquarters
Arusha, TANZANIA

August 2014
1.0 INTRODUCTION

The East African Legislative Assembly (EALA) is one of the organs of the East African Community (EAC). EALA’s core functions referred to in Article 49 of the Treaty include *inter alia* legislative, oversight and representation. Performing post audit review is one of the oversight role of EALA as per Article 49 of the Treaty establishing EAC.

In conformity with Article 49 of the Treaty, and the Rules of Procedure, especially rule 79 (1) and (2), Annex 5 A, the Committee on Accounts is mandated to:

i) Carryout a post audit review and scrutiny of the expenditure incurred by the EAC Secretariat, the Organs and Institutions of the sums appropriated in annual budgets approved by the EALA upon presentation by the Chairperson of the Council of Ministers of the EAC.

ii) Carryout out post audit review and scrutiny of the expenditure on the basis of an annual audit report of the Audit Commission, pursuant to provisions of Article 49(2) (c) and 134 of the Treaty for the Establishment of the EAC.

iii) Carryout post audit function that encompasses the need to monitor the implementation of the budget in a manner similar to internal audit, pursuant to Rule 72(1) of Rules of Procedure of the Assembly.

iv) Present a report with recommendations to the House for debate and adoption.

The Assembly recognises the role and the importance for members to carry out their oversight role efficiently. It is against this background that the Committee on Accounts held a two day capacity building workshop on Auditing and Accounting skills at Nonara Hotel, Bujumbura, Burundi from 3rd – 6th August 2014.

The Committee on Accounts requires additional skills and understanding of financial management and audit concepts to enable them to upscale their mandate in the examination of the annual audited accounts and make recommendations to the Assembly.

2.0 OBJECTIVES OF THE WORKSHOP

The objectives were to:-

i) be able to interpret financial statements and their presentation;

ii) appreciate the role of EALA Committee on Accounts in the Accountability process;

iii) learn relationships between the Audit Commission, EAC Secretariat, EALA and Committee on Accounts;

iv) enhance understanding of common audit findings and their implication;
v) acquire knowledge on audit processes and methodology aiming at carrying out a comprehensive review of the EAC Audited Accounts;

3.0 EXPECTATIONS

The expectations of the workshop were as follows:

i. Enhancement of their skills and knowledge in Accounting and Auditing practices to be able to interrogate the audit report in fulfilment of the Committee mandate;

ii. Clearly understand the appreciate the Committee relationship with the Audit Commission and Management;

iii. Understanding the auditor’s professional language, global accounting issues and updating on challenges of the audit exercise in the EAC;

iv. Understanding their interpretation of the financial statements and the budget execution oversight;

v. Understanding of the EAC audited accounts;

vi. How to understand, interpret and interrogate the audit report and write a meaningful report with realistic and implementable recommendations;

vii. Learn to analyse expenditure statements and books of accounts; and

viii. Formulation of proper recommendations to the House.

4.0 METHODOLOGY

The workshop was participatory in nature, characterised by:

i) hands on practical exercises;

ii) group discussions;

iii) simulations; and

iv) paper presentations on Accounts and Audit skills.

The above was facilitated by experienced resource persons namely Mr. John Henry Muyimbwa, Director of Audit and Dr. Andrew Timothy Nsamba, Senior Principal Auditor, all from the Office of the Auditor General, Uganda.

5.0 AREAS OF CAPACITY BUILDING

The workshop was opened by the Chairperson of Accounts Committee, who highlighted on the mandate of the Committee and the objectives of the workshop. He further indicated that from the budgetary trends, requirements are expected to rise as the EAC Secretariat embarks on the implementation of the EAC Development Strategy (2011-2016) and EALA Strategic Plan. As the mandate of the Community is growing, there is need for the Committee on Accounts to intensify its work: strengthening its relationship between EAC Secretariat, other EAC organs and the Audit Commission, and enhancing the skills of its members; so as to be in a position to fulfill its mandate.
a) Concepts of Accountability and roles of Stakeholders in the accountability relationships

Issues of the accountability cycle were discussed and the different stakeholders were identified and their roles in the cycle were discussed.

b) Types of Audits and their Outputs

Article 134 of the EAC Treaty states that there shall be an Audit Commission made up Auditors General of the partner states whose functions will be to Audit the accounts of the Community. It shall be the duty of the Audit commission to verify that any revenue collected by the community has been allocated and distributed according to the treaty.

The different types of Audits were highlighted, including Financial/Regularity Audits, Value for Money, Forensic Investigations/Audits, and Specialised Audits (IT, Engineering, Gender, Environmental).

The importance of financial/regularity Audit was also highlighted as follows:-

(i) Provide assurance to the users that the financial statements give a true and fair view of what transpired throughout the period,

(ii) Provide assurance to parliamentarians that funds were utilised in line with the appropriation (intended purpose),

(iii) Transactions conform to the relevant laws and regulations,

(iv) Giving constructive advice where there gaps.

c) Overview of Auditing Standards and Audit Process

The different source of auditing standards were discussed to gain an understanding and appreciation of the framework of Auditing which leads to a successful conduct of an Audit. Auditing standards and process are set by the following:-

(i) National legislation;

(ii) International Auditing bodies (IFAC);

(iii) Organisation of Supreme Audit Institutions (INTOSAI);

(iv) National Audit profession bodies for instance ICPAU-K.

The Audit Commission report 2012 was reviewed which was adopted using International Standards on Auditing (ISAs) as prescribed by International Federation of Accountants Committee (IFAC).

The Audit process is prescribed by Auditing Standards and they involve the following steps: - Planning, Execution, and Reporting. The Auditing reporting also
involves the following process: - Management letter, Exit meetings, Final management letter and the Audit report with opinion.

d) Types of Audit Opinions

The different types of Audit opinions were discussed which included the following: Adverse/ Disclaimer Opinion which is highly prioritised and require further investigation, Qualified Opinion, Emphasis/other matter, and Unqualified opinion.

e) Accountability and roles of different stakeholders

Accountability defined by Oxford dictionary defines accountability as the state of being answerable for. Accountability involves different stakeholders with different roles and these include; - Parliament/oversight Committee, Audit Commission, and the Executive.

Roles of Parliament in the accountability process-
(i) Executive makes requests for funds from parliament
(ii) Parliament allocates and approves funds for the Executive.
(iii) The executive executes the activities in accordance with parliamentary approval;
(iv) The executive provides reports to Audit in form of financial statements summarizing what transpired
(v) Audit undertakes reviews and reports are submitted to Parliament.
(vi) The committee conducts hearings to get more evidence from the Accounting Officers,
(vii) Prepare reports with recommendations and submit to the Plenary.
(viii) Reports are discussed and adopted by Parliament
(ix) Parliament directs the Executive to implement the recommendations.
(x) Parliament gets feedback from executive on the extent of implementation of previous recommendations.
(xi) Audit commission follows up the feedback by confirming actual versus reported and makes report to parliament.
(xii) However, Oversight committees can make visits to implementing agencies to confirm extent of implementation of recommendations

Roles of The Executive
(i) Implement policies and execute programmes arising from the work plans,
(ii) Exercise propriety and prudence in public spending, (VFM)
(iii) Maintain books of accounts and prepare financial statements, which are submitted to AG.

Roles of the Audit Commission
(i) Derives its mandate from parliament through the East African Treaty.
(ii) Audit financial statements and report to parliaments.
(iii) Kinds of audit issues include and Lack of accountability Diversion of funds.
f) Reviewing Audit Commissions Reports and determining priorities and field visits

Audit report was reviewed and salient issues of the report were discussed and the format of audit findings was discussed in detail. These salient issues include:

(i) Nature of opinion
(ii) Emphasis of matter/other matters paragraph
(iii) Budget performance (budget vs actual)
(iv) Unresolved prior year issues
(v) Reported losses
(vi) Other Audit issues (management letter)

h) Fraud and Irregularities risk in Public Sector

The types of fraud and irregularities risk include:- Forgery, Failure to record transactions, Misrepresentation to auditor and Collusion. However, a list of the ten most common fraud/ risk areas and the risk indicators include:- Imprest Warrants, Maintenance, Payroll, Fixed Assets, Training and Capacity, Fuel, Local Procurement, Other potential indicators of transaction at risk of fraud and Project Branding.

6.0 FINDINGS AND OBSERVATIONS

i. The members’ knowledge and skills on accounting and auditing procedures required enhancement to fully execute their mandate.

ii. It was observed that the Audit Commission is limited to financial audit.

iii. The Submission of accounts by the Council has been regular of late.

iv. Most Audit opinions are not acted upon appropriately.

v. Most of the time, the professional language used in audit reports may not be understood by everyone.

vi. The Members of Audit Commission be invited to attend hearing meetings as expert witnesses during the examination of the Audited Accounts exercise.

vii. Treasury memoranda system provides effective tracking mechanism of Assembly recommendations.

viii. The Audit Commission reported that there is laxity of enforcement in Community matters by the Council.

ix. The Committee on Accounts operates without audio recording mechanism.
x. The EAC of Organs and Institutions have not been appearing before the Committee on Accounts.

xi. It was noted that Committee previous recommendations are not properly followed up for implementation.

xii. Lack of appropriate responses in the management responses data.

7.0 RECOMMENDATIONS

The Committee recommends that:

i. There is need to take entire House through several training workshops on accounting and auditing procedures and practices to enable them to perform their oversight role efficiently and effectively.

ii. EAC scope of audit should be expanded to include Management Audit, Environmental Audit, Specialised, Value for Money Audit and forensic audit where necessary. However the Counsel to the Community to give an interpretation on the scope of Audit as it is stipulated in the Treaty.

iii. Creation of legal framework to form a regional Audit Commission as opposed to the current establishment as per Article 134 of the EAC Treaty.

iv. The EAC Council of Ministers should always act on the recommendations of auditors appropriately.

v. The EAC Council of Ministers and the entire EAC management should be capacity built to appreciate possible mistakes in financial management of EAC organs and institutions and how to respond to audit recommendations in a timely manner and appropriately.

vi. The Audit Commission should be facilitated to be present at the Committee on Accounts before and during review and presentation of the Audit report.

vii. The Audit Commission staff should always be invited to attend hearings as expert witnesses.

viii. Treasury memoranda explaining the implementation should be introduced before the EAC executives responds to recommendations of the Assembly.

ix. Accounts Committee should always secure audio recording during its meetings.

x. The EAC Heads of Institutions and Organs should always appear before the Committee during the review of Audited Financial Statements.
This report forms the basis for further interrogation with other relevant stakeholders mainly auditees and the Council of Ministers. In future, such workshops should involve the Secretariat.

8.0 CONCLUSION AND ACKNOWLEDGEMENT

After this important training workshop, it was noted that the Committee’s ability to execute its mandate was enhanced.

The Committee wishes to acknowledge all support extended by: the Office of the Rt. Hon. Speaker, the Office of the Clerk, the Resource Persons, AWEPA in coordinating and facilitating the activity.
# MEMBERS OF THE COMMITTEE ON ACCOUNTS

*Report of Committee on Accounts on Capacity Building Workshop, August 3rd – 6th August 2014*

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