EAST AFRICAN COMMUNITY

IN THE EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

The Official Report of the Proceedings of the East African Legislative Assembly

69TH SITTING - SECOND ASSEMBLY: SECOND MEETING – THIRD SESSION

Tuesday, 10 November 2009

(The East African Legislative Assembly met at 2.30 p.m. in the Chamber of the Assembly, AICC Building, 6th Floor, Ngorongoro Wing)

PRAYER

(The Speaker, Mr Abdi H. Abdirahin, in the Chair)

The Assembly was called to order.

COMMUNICATION FROM THE CHAIR

The Speaker: Honourable Members, I welcome you all to the Second Meeting of the Third Session of this Assembly, which will run from the 9th to 20th November, 2009 here in Arusha.

I have a number of issues to notify you on. As you are all aware, this meeting coincides with a number of other activities organised by the East African Community to commemorate its 10th year of existence. I have set aside time during the whole of next week to enable you participate fully in all the activities. The office of the Clerk will make available to you copies of the programme of the planned activities to guide you accordingly. Apart from the special Summit meeting on 20 November 2009, which we are all invited to attend, I would like to especially notify you that the Assembly will hold a special sitting on the morning of 19 November, 2009. The Special Sitting will be dedicated to commemorating the 10th year of the Community's existence. As such, I have invited all the Speakers of the national assemblies of our partner states and the President of the Pan-African Parliament to address the Assembly. At the end of it all, the Assembly will pass a resolution to mark this event. *(Applause)*

I also wish to notify you that the plenary session of this meeting will be broadcast live, courtesy of a partnership between EALA and IPP Media. The East African Television, as you can see, is set to cover us live. I wish, on your behalf, to thank the IPP Media for this great initiative. *(Applause)*

Honourable Members, your offices at the New Safari Hotel building are ready for occupation. *(Applause)* I can see the Counsel to the Community looking at me. I think you are also provided for. *(Laughter)* Since the space secured is not enough to afford every Member an office, you will be requested to share what is available. Choice of where and with whom you sit is by lots. You are requested to check with the Sergeant-At-Arms for details in this regard. I thank you. *(Applause)*

PAPERS

The following Paper was laid on the Table:-

(by the Chairperson of the Committee on Accounts (Mr Christopher Nakuleu)

> The report of the Committee on Accounts on the Audited Accounts of the East African Community for the Financial Year ended 30 June 2008.

MOTION

FOR THE CONSIDERATION AND ADOPTION OF THE REPORT OF THE COMMITTEE ON ACCOUNTS ON THE AUDITED ACCOUNTS OF THE EAST AFRICAN COMMUNITY FOR THE YEAR ENDED 30TH JUNE, 2008

MR CHRISTOPHER NAKULEU (Kenya): Mr Speaker, I beg to move that the report of the Committee on Accounts on the Audited Accounts of the East African Community for the financial year ended 30th June, 2008 be adopted.

Mr Bernard Mulengani (Uganda): Seconded.

- *(Interruption)*-

The Speaker: Honourable Members, you must understand; we have not had these many cameras in the Chambers before. Proceed, hon. Nakuleu. *(Laughter)*

Mr Nakuleu: Hon. Speaker, I beg to seek the indulgence of the House because honourable members have not had sufficient time to go through the report. And for that matter, I will go through it.

In accordance with the provisions of Article 134(3) of the Treaty, the Chairperson of the Council of Ministers, on 11 August 2009, in Dar-es-Salaam, laid before the Assembly the following reports of the Audit Commission:

i) The Audited Financial Statements of the East African Community for the Financial Year ended 30th June, 2008;

ii) Audited Financial Statements of Lake Victoria Basin Commission for FY ended 30th June, 2008;

iii) The Audited Financial Statements of the Lake Victoria Basin Commission Partnership Fund for the Financial Year ended 30th June, 2008;

iv) The Audited Financial Statements of the Lake Victoria Environment Programme II for the Financial Year ended 30th June, 2008;

v) The Audited Financial Statements of the Mt Elgon Regional Ecosystem Conservation Programme (MERECP) for the Financial Year ended 31st December, 2008; *and*

vi) The Audited Financial Statements of the Civil Aviation Safety and Security Oversight Agency (CASSOA) for the Financial Year ended 30th June, 2008.

In accordance with the provisions of rules 77, 79 and Annex 5(A) of the Rules of Procedure of the Assembly, the Hon. Speaker referred the five reports to the Accounts Committee for scrutiny. The Committee met in Arusha from 20th September to 3rd October, 2009 for this purpose. This report covers the committee's findings and recommendations on the main issues.

The report is sub-divided into nine parts**:** Part I is an introduction; Part II is on the Audited Accounts of the East African Community for the financial year ended 30th June, 2008; Part III is on the Audited Accounts of the Lake Victoria Basin Commission for the financial year ended 30th June, 2008; Part IV is on the Audited Accounts of the Lake Victoria Basin Commission Partnership Fund for the Financial Year ended 30th June, 2008; Part V is on the Audited Accounts of the Lake Victoria Environment Management Programme II for the Financial Year ended 30th June, 2008; Part VI is on the Audited Accounts of the Financial Statements of the Mt Elgon Regional Ecosystem Conservation Programme (MERECP) for the Financial Year ended 31st March, 2009; Part VII is on the Audited Accounts of the Civil Aviation Safety and Security Oversight Agency (CASSOA) for the Financial Year ended 30th June, 2008; Part VIII is on General Observations; and Part IX is on Acknowledgements.

Mr Speaker, Part II is on the audit findings on the EAC audited accounts for the Financial Year ended 30th June, 2008.

On the follow-up of the previous years' audit findings, the Audit Commission reported that during the previous year, eleven recommendations, which included five from previous years, were made. Five of these were satisfactorily dealt with, but the six detailed bellow were not:

2.1.1 Construction of the East African Community headquarters

The Audit Commission observed that the construction of the Community's headquarters building had delayed, and advised management to ensure that implementation of the project is done within a reasonable timeframe to avoid uncertainties and associated risks.

The Community management reported that it complied with last year's directives by the Assembly and submitted to the Clerk the following:

i) All relevant project documents pertaining to the construction of the EAC Headquarters;

ii) A detailed revised implementation plan to act as a reference point and for ease of monitoring the progress of the project;

iii) The cost implications arising out of the delay in the implementation of the project;

iv) Progress reports of the project implementation.

The Audit Commission however reported that they did not receive documents for their audit purposes, and, therefore, had no evidence on action taken on all the above directives. The committee wishes to confirm that the Clerk's office did receive the documents, and advises that in future all documents should be submitted to the Audit Commission as well.

The East African Community management further reported that progress reports will always be given to the Assembly at every plenary sitting. It also confirmed that good progress had been registered because a land title had been secured. Further, no-objection from the donors had been requested and obtained, and the East African Community management would award a contract for construction by 20th November 2009.

The Committee noted with appreciation the progress made by the team chaired by the Deputy Secretary General in charge of Finance and Administration, but registered dissatisfaction on lack of a policy on East African Community land in all the partner states housing the Community's organs and institutions.

The Committee recommends to the Assembly to direct that:

a) The Secretariat should submit all the relevant project documents to the Audit Commission for verification by December, 2009.

b) The Secretariat should ensure that they submit to the Committee quarterly headquarters implementation progress reports.

2.1.2 Review of the SUN-Accounting System and the overall control environment

The Audit Commission had reported that a review of the SUN-Accounting System revealed that:

i) The Community had not established an information systems control and security policy strategy. They were informed that the policy was being developed.

ii) Due to lack of an IT policy, the auditors could not establish whether the Community had instituted the relevant security measures such as disaster recovery plan to protect the system against natural disasters, power blackouts, structural collapse or systems shutdown.

iii) No evidence that a post-implementation system audit had been conducted, and as a result the auditors did not establish the adequacy, reliability and safety of the system.

The East African Community management however informed the committee that the IT policy had been finalized, presented to and approved by the Council of Ministers in August 2009, and that a copy would be given to the Committee on Accounts. The

Committee noted the progress with appreciation.

2.1.3 Inadequate staffing of the Internal Audit Unit

The Audit Commission had recommended that owing to the growth of the Community, there was need to upgrade and expand the Internal Audit Unit, preferably to a directorate with two departments, one for internal and systems audit and the other for handling risk assessment and risk management. The departments were to be adequately equipped and staffed to enable the Unit to effectively perform its functions. The East African Community management had recruited only one internal auditor to enhance the capacity of the Unit.

The Audit Commission was of the view that despite the recruitment of the Internal Auditor, the current manning level is not yet sufficient to enable the Unit to conduct internal control reviews for all the three organs and projects. Besides, the Audit Commission was not availed internal audit reports and programs by the Internal Audit Unit.

The East African Community management reported that the report of the consultant that recommended the upgrading and expansion of the Internal Audit Unit was complete and was ready to be taken to the next Council of Ministers meeting in November 2009. The newly proposed structure also proposes that the Unit reports to the Audit Committee, whose membership and composition is yet to be finalized.

The East African Community management reported further that money had been sourced to fund two Internal Auditors for at least two years. The Deputy Secretary General in charge of Finance and Administration confirmed that recruitment would be done by the end of 2009.

The Committee appreciated the efforts by the management of the Community, but was not happy with the present Internal Audit Unit as it had not produced any reports and had neglected its core function.

The Committee recommends to the Assembly that:

a) The present internal audit unit should produce internal audit reports and submit them to the Audit Commission immediately.
b) The Secretariat needs to address the issue of capacity and training of the internal audit unit;
c) The internal audit unit should take its work seriously by focusing on the internal audit function.

2.1.4 Lack of accounting manuals

The Audit Commission noted that the Community had not produced an accounting manual which would provide guidance on accounting procedures. Also, the only documented procedures in place were the financial rules and regulations, which do not give detailed guidelines on the treatment of various accounting data and information.

The Community management reported that a consultant had produced the final draft of the financial and accounting manual, which would be tabled before the special Council of Ministers, which will consider all manuals in November 2009.

The committee noted with concern that the manual has been in draft form for a long time.

The Committee recommends to the Assembly to:

a) Direct the Secretary General to ensure that these manuals are in place by end of November 2009;

b) Ensure that the management of the Community states specific dates and timeframes when manuals and other documents are to be tabled before the Council of Ministers for approval;

c) Direct the Secretariat to do away with draft manuals and finalize them with the Council of Ministers and proceed with implementation by November, 2009.

2.1.5 Vehicles fully depreciated still in use

The Audit Commission had reported that two vehicles: TCD 35 EAC Toyota Land Cruiser and TCD 41 EAC Nissan Patrol had been fully depreciated although one of them was still in use. Valuation had not been carried out to determine the true value of the vehicles in accordance with International Accounting Standard (IAS) 16.

The Community management reported that a Transport and Vehicle Management policy was being developed for presentation to the special Council of Ministers in November 2009.

The Committee was not happy with the explanations, and therefore tasked the Community management to carry out re-evaluation of the vehicles, which management had said was on-going and would be completed in September 2009.

The Committee recommends to the Assembly to direct the Community management to provide the re-evaluation report to the Audit Commission by November 2009.

2.1.6 Unrealistic depreciation rates

The Audit Commission reported that property, plant and equipment were being depreciated at unrealistic rates, and advised that the rates be revised.

The Community management reported that the draft Financial and Accounting manual that is awaiting approval by the next Ordinary Council of Ministers has proposed more realistic and up-to-date depreciation rates that will appropriately reflect the useful lives of the assets.

The Committee was concerned that this issue was referred to last year and that it had taken too long.

The Committee recommends to the Assembly to direct the Community management to ensure that manuals are presented to the Council of Ministers for approval and subsequent implementation.

2.2.0 Audit findings for the current Financial Year (2007/2008) and recommendations

2.2.1 Intangible Assets-Management Information System (MIS)

The Audit Commission had observed that IAS 38 requires entities to disclose intangible assets in their financial statements, if it is probable that future economic benefits associated with the tangible terms will flow to the entity and that the costs of the assets can be measured reliably.

The Audit Commission also noted that the Community has an MIS with a number of software, including: the SUN System used to process accounting data; the SUN Vision used for reporting; INSPRO used in payroll preparation; and TRIM used in records management. In addition, the Community has a Local Area Network (LAN), a website and antivirus licences. However these items are not recognized in the Community's financial statements yet they meet the recognition criteria stated above.

The implication of this would be understatement of the non-current assets of the Community and non-compliance with International Financial Reporting Standards (IFRS) due to non-disclosure of intangible assets.

The Audit Commission therefore recommended recognition of all assets that meet the criteria of intangible assets in the financial statements to comply with IAS 38, which the Community management complied with, and the Committee was satisfied with the progress made.

2.2.2 Adoption of International Financial Reporting Standards (IFRS)

The Audit Commission reported that Section 78 of the Community's Financial Rules and Regulations (2006) requires the Community to adopt IAS/ IFRS. However, according to paragraph 9 of the preface of IFRS, only government business entities are required to adopt IFRS while the rest of the non-business public sector entities are required to adopt International Public Sector Accounting Standards (IPSAS).

Since the Community is not a profit oriented entity, it should consider adopting IPSAS as opposed to IFRS. The implication of this would be that the Community's financial statements may not meet the needs of their users. The Community management was advised to adopt IPSAS framework.

The Community management concurred and reported that the proposal of adopting IPSAS framework is within the Financial Policies and Procedures Manual (FPPM), which is in the approval process, the deadline being December 2009.

2.2.3 Property, plant and equipment

a) Land

The Audit Commission observed that IAS 16 requires entities that comply with IFRS to disclose all items of property, plant and equipment in the balance sheet. It was noted that the Community's land at plot No. 12, Block 3 in Sekei area valued in FY 2003/2004 at TShs. 2,582,603,000 (approximately US $2.5 million) is not reflected in the financial statements.

The implication here is that the EAC's non-current assets are incomplete and not fairly stated in the financial statements.

The auditors therefore recommended that the EAC's management should ensure that the land is valued and recognised in the financial statements.

The EAC management reported that in Tanzania, land is the property of the Government. EAC has sought advice from the National Board of Accounts and Auditors of Tanzania. The latter has also sought advice from the International Accounting Standards Board. EAC will therefore not take any action before advice is issued on this matter. Following discussions on the matter, the EAC management agreed to revalue and capitalize the same accordingly.

The committee recommends to the Assembly to:

i) Direct the EAC management to have the land revalued and capitalized in view of IAS 16 as a matter of urgency;

ii) Direct the Secretariat to secure land titles of all land belonging to EAC and to develop a land policy that will govern all land housing EAC property in the partner states and submit the report to the Assembly.

b) Depreciation rates

The Audit Commission reported that depreciation rates of some non-current assets appear to be unrealistic and therefore do not reflect the actual wear and tear of the EAC assets, which report was also given in the previous audit report and was never acted upon.

The implication would be that the current amounts of non-current assets are not fairly stated in the financial statements. The depreciation charged to the income and expenditure statement may also be inaccurate.

The Audit Commission urged EAC management to review the depreciation policy of non-current assets to reflect the wear and tear of assets by best practice and to adjust the financial statements accordingly.

EAC management reported that new depreciation rates would be approved within the FPPM, which is in the approval process, and gave December 2009 as the deadline.

The Committee was dissatisfied with EAC management's report and for not acting on the previous year's recommendation to put correct the depreciation rates.

The Committee recommends to the Assembly to direct EAC management to adopt realistic depreciation rates immediately.

c) Revaluation of assets

The Audit Commission reported that scrutiny of the fixed assets registers revealed that some assets had been fully depreciated although still in use. Further, IAS 16 requires fully depreciated assets to be re-evaluated. However, a revaluation of those assets had not been carried out to reflect their fair values, an observation that was also made in the previous audit report.

The implication of this would be that assets are not fairly stated in the financial statements.

The Audit Commission therefore recommended that fully depreciated assets should be re-valued to reflect their fair values in the financial statements.

EAC management reported that FPPM, which will provide guidelines on assets revaluation, is in the process of approval, and gave a deadline of December, 2009.

The Committee recommends to the Assembly to:

i) Direct EAC management to immediately re-value fully depreciated assets;

ii) Urge EAC management to immediately submit the revaluation report to the Audit Commission.

d) Assets register

The Audit Commission reported that the Fixed Assets register was incomplete because it lacked important details such as the date of purchase, location and condition of the Assets.

This implies that in the absence of a proper and completed assets register, the completeness and accuracy of the property, plant and equipment reflected in the financial statements could not be confirmed. The auditors could not also confirm the profit or loss that was realized or suffered on disposal of some of the assets.

The Audit Commission advised EAC management to put in place a complete asset register containing all information pertaining to those Assets. On the contrary, EAC management reported that the current fixed assets register contains all pertinent information; that they will design a report using SUN or Vision systems that may extract the full information needed by the auditors.

The Committee noted that EAC management was not responding to the recommendation of the Audit Commission. The Committee therefore took EAC management to task and required an assets register and not a report.

The Committee further directed that reporting practices should be done in accordance with international standards and not just reporting for the sake of satisfying auditors.

EAC management explained that re-evaluation is being done and will reflect price, dates, location and department. It will also capture depreciation rates and all other necessary information, like the inventory.

EAC management further agreed that there is an assets register which is one of the modules of SUN system. However, information given to the auditors was not complete. On this issue, the Committee advised that interface between the Audit Commission and the EAC management is paramount for accurate reporting.

The Committee recommends that the Assembly should direct the Secretariat to:

i) Always provide accurate information to avoid unnecessary confusion;
ii) Make use of exit meetings to clear outstanding issues.

e) Disclosure of project assets

The Audit Commission reported that IFRS requires uniform accounting policies to be applied in the treatment of all items under the same class of assets in a consistent manner. They noted that EAC applied different treatment to some procured non-current assets depending on the source of funding. Some were capitalised while others were expensed; reason being donor conditionalities. This implies understatement of non-current assets in the Balance Sheet.

The Audit Commission recommended that EAC management applies uniform accounting policies in the accounting treatment of assets in accordance with IFRS.

The EAC management agreed to comply with the auditors' recommendation. However, the Committee was not satisfied with the response by the EAC management, which reflects an attitude where the answer is intended to appease the Audit Commission but not to put promises into practice.

The Committee recommends that the Assembly:

i) Directs EAC management to capitalize non-current assets and report to the Audit Commission immediately;

ii) Directs EAC management to adopt and maintain cash and accrual reporting formats to satisfy donor conditions and EAC policy requirements.

f) Engraving of assets

The Audit Commission reported that some equipment of the Community was not engraved. The implication here is that the risk of the Community's assets being pilfered is high.

The Audit Commission urged EAC management to have the assets of the Community engraved.

EAC management promised to comply with the recommendation of the Audit Commission, and confirmed to the Committee that together with re-evaluation, the exercise would be finalised by the end of October, 2009.

The Committee noted with concern that EAC management is not safeguarding its assets and underscored the Audit Commission's recommendation of engraving assets.

The Committee, therefore, recommends that the Assembly:

i) Directs EAC management to have the Community assets engraved immediately;

ii) Urges EAC management to produce a report of the exercise and submit it to the Audit Commission immediately.

2.2.4 Audit and Assurance

a) The internal audit function

The Audit Commission reported that auditing standards require external auditors to rely on the work of internal auditors where it exists. The Commission noted that the Internal Audit Unit is still under-staffed, thus limiting its effectiveness in monitoring of the Community's programmes and resources. This implies that the capacity of the internal audit function is still very low.

The Audit Commission went further to recommend the enhancement of the capacity of the internal audit function by employing more staff, which the EAC management promised to comply with.

The Committee noted that the Internal Audit Unit is not performing to their expectations. It was observed that the

Internal Audit Unit absconded from its primary function by not providing reports to the Audit Commission.

The Committee recommends to the Assembly to:

i) Direct the EAC management to expand the Internal Audit Unit by employing more staff and also to improve the capacity of the existing staff by training;

ii) Direct EAC management to provide internal audit reports to the Audit Commission immediately;

iii) Direct EAC management to ensure that the Internal Audit Unit reviews systems and ensures efficiency to avoid errors and material misstatements.

b) Risk management

The Audit Commission reported that the Community did not have a risk management policy for identifying risks and exposures. The absence of a risk management policy makes the assets and resources of the Community susceptible to fraud and mismanagement.

EAC Management informed the committee that the policy was to be presented to the Council of Ministers for approval in August, but it was deferred to the next Council of Ministers meeting in November, 2009.

The Committee recommends that the Assembly directs the EAC management to provide the Audit Commission with a copy of the approved risk management policy by December, 2009.

2.2.5 Investments

The Audit Commission reported that the Community was keeping some funds in fixed deposit accounts in selected banks. As at 30 June, 2008, US $2.2 million was in fixed deposit accounts earning interest at 3 percent per annum. However, there was no investment plan availed to the Audit Commission to show how surplus resources are invested in the Community. This implies that without an investment policy, the Community risks investing in non-viable ventures.

EAC management explained to the committee that investment was done by calling for quotations from different recognized banks and selecting the highest bidder with the highest interest rate in accordance with EAC financial rules and regulations.

The Committee was not satisfied with the explanation by the EAC Management and, therefore, recommends to the Assembly to direct EAC management to develop investment guidelines by March 2010.

2.2.6 Loss on sale of assets

The Audit Commission reported that a loss of US $2,753 on the sale of assets was recognized in the Income Statement. The treatment misstated the shortage occasioned from the Community's normal operating activities.

EAC management reported that they rectified the anomaly by making a reversal entry in the Income and Expenditure Statement and taking the loss to the Statement of Changes in Equity.

The Committee noted the rectification of the anomaly.

2.2.7 Buildings

The Audit Commission reported that the Community incurred costs to the tune of US $623,986 during the preparatory stage of the construction of the new headquarter building. This cost was recognized under buildings.

However, IAS does not allow the recognition of preparatory costs to be classified as building costs until the associated buildings have been erected and put into use. The implication here is non compliance with IAS 16.

EAC Management agreed that the entrance was an error and that it was rectified.

The Committee noted this with satisfaction.

2.2.8 Implementation of EAC Projects Supported by Development Partners

a) Partnership Fund

The Audit Commission reported that the implementation of the following activities, in respect of projects supported by development partners at a total budget of US $3,665,000 was not achieved during the year under review.

No	Particulars of Project Activities	Deliverables not achieved in 2007/2008
1.	Capacity building of the EAC Secretariat	a) Institutional follow up manuals; b) Procure consultancy to train EAC staff in tailor-made courses; c) Procure consultancy for capacity assessment in EAC; d) Review of EAC development strategy; e) Operationalisation of the development strategy using annual plans to develop annual budgets.
2.	Support to studies	a) Procure a consultant to undertake a study on harmonization of East African Education; b) Procure a consultant to undertake a study on early warning systems for monitoring of food shortages.

Delay in the implementation of project activities on schedule affects achievement of the planned objectives, resulting in costly delays and budget overruns.

The Audit Commission recommended that:

i) A performance assessment of priority areas for the previous financial year needs to be carried out by the EAC Secretariat to establish causes of non-achievement;

ii) A status report on progress and cause of failure to achieve implementation of project activities on schedule should be produced as a monitoring tool to aid EAC management.

The EAC management promised to comply with the Audit Commission's recommendations but highlighted that:

i) Recommendations are being carried out;
ii) Late disbursements of donor funds cause delays;
iii) Some projects start at the end of the financial year; and,
iv) The nature of some projects necessitates spilling over to another financial year.

The Committee was not fully satisfied by EAC management's comments, and emphasized that there should be a mention of the project life, utilization capacity and trend of disbursement of donor funds. It is important for EAC to ensure that the rate of disbursement of funds is commensurate with the rate of project performance.

The Committee recommends to the Assembly to direct EAC management to write a report on: project timeframes, utilisation capacity, trend of donor funds disbursements and submit it to the Audit Commission immediately.

2.2.9 Control and Coordination of projects

The Audit Commission reported that there were projects being implemented by partner states and coordinated by the Community. They noted that there are no progress reports, Memorandums of Understanding (MoU) or specific agreements between the implementing partner states and the EAC stating the role of the latter in the projects.

Below is a list of projects, donors, amounts and their duration.

No	Project Title	Donor	Total amount awarded	Duration
1.	Regional comparative study of the provisions of EAC partner states' patent laws relevant for the access to genetic essential medicines in East Africa	GTZ-German Federal Ministry for Economic Cooperation & Development (BMZ)	Euros 70,000 (direct payment to consultant)	March 2008 Sept. 2008
2.	EAC Trade Capacity Building Projects	NORAD/UNIDO	2,800,000 (direct payment)	Jan. 2007 April 2010
3.	Establishment of extremities Standardization in East African Region – Phase II	PTB-German Ministry of Technical Cooperation	1,500,000	2007-2010
4.	Feasibility study on multinational road project	AFDB	US$5,500,000 (direct payment to consultants)	Feb. 2007 – 2011
5.	East African Trade & Transport Project	AFDB	US$3,400,000 (direct payment to consultants)	Feb 2007 – Feb 2011
6.	Arusha – Namanga Athi River Project	AFDB/Japanese Bank for International Cooperation (JBIC)	US$145,000 (loan to partner states)	Dec 2007 –Dec 2010
7.	East African Avian Flu regional response	EU	Euro. 1,000,000	2008-2011

This implies that in the absence of clear roles of what EAC should do in these projects, it becomes difficult for EAC to effectively monitor and report on the progress of these projects.

The Audit Commission recommended that the role of the EAC should be clearly stated in project documents or MoUs in respect of all the projects that EAC coordinates.

EAC management reported that the role of the EAC is clearly indicated in the project documents and/or the MoUs which are available that projects are controlled and monitored by EAC desk officers and all of the projects mentioned above are included in the report of the Monitoring and Evaluation Officer.

The Committee was not satisfied with the EAC Management clarification and, therefore, recommends to the Assembly to:

i) Direct the EAC management to produce and submit progress reports on the projects being undertaken to the Audit Commission;

ii) Direct the EAC management to avail copies of MoUs and project documents to the Audit Commission.

2.3.0 Planning and budgeting framework

The Audit Commission reported that the EAC prepared a long-term strategic plan for 2006 – 2010. The costs of implementing the activities were not indicated at the time of developing the strategic plan, which should have been the basis of forming the budget ceilings while preparing the Medium Term Expenditure Framework (MTEF).

The Commission was also informed that the 2007/2008 and 2009/2010 budget estimates were prepared under each cost centre basing on the MTEF documents which indicated, among other things, the key strategic intervention areas, outputs and other activities. However, during the consideration of the budget, the Community was required, by ceilings, to downsize the budget. As a result, the estimates were not properly matched with the activities already developed under the MTEF.

Meanwhile, the resource mobilization of funds is not yet effective, as reflected in late remittances of funds by partner states and the partial fulfilment of donor contributions. For example, projects under the Partnership Fund were approved in October 2007 and in the FY 2007/2008, out of an approved budget of US$3,665,000, a total of US$1,900,894 was received from the development partners, representing 51.8 percent of the actual funding.

As at 30 June, 2008 US $1,780,903.7 of the US $1,900,894 allocated had been utilized, representing a 93.69 percent absorption rate. This implies that there is a likelihood of uncoordinated and non-implementation of activities and programmes of the Community.

The Audit Commission recommended that:

i) The EAC strategic plan should be revised and costed to give the partner states an indication of the required resources in implementing the same.

ii) Since the EAC strategic plan does not indicate tentative cost implications for implementing the activities stipulated therein, it would be prudent for the Community to obtain budget ceilings to avoid poor planning.

iii) The Monitoring and Evaluation Unit should track budgetary performance and the performance indicators should be well defined to ensure that implementation of the strategic plan is on course.

iv) EAC should further identify sustainable funding sources from committed donors who are willing to finance the donor pledges.

The EAC Management reported that it is in the process of revisiting and developing the resource mobilization strategies which will help them to improve the funding arrangements with all development partners. For the purpose of checks and balances, it would be better if the Budget Officer tracks the budget financial performance and the Monitoring and Evaluation Officer tracks the performance of activities planned.

With the mid-term review exercise, all strategic interventions will be costed, but the ceiling issue will still depend on partner state decisions.

The Committee observed a mismatch of the Audit Commission recommendations and the Management response. Management seemed not to understand the recommendations given. More still, management does not seem to take exit meetings seriously.

The committee concurs with the Audit Commission and recommends that the Assembly:

i) Instructs EAC management to direct the Internal Audit Unit to always forward documents received from EAC departments to the Audit Commission;

i) Directs EAC management to implement the Audit Commission's recommendations.

2.3.1 Planning, monitoring and evaluation of EAC projects and programmes

The Audit Commission observed that the Monitoring and Evaluation Unit of the EAC has produced some reports for management. The Unit also prepared a reporting framework to be used across the board and reports acted on in the year under review.

The Audit Commission, however, noted that the planning function of the Community lacks capacity to effectively plan for projects and programmes. As a result, the activities executed during the year could not be directly linked to the strategic plan. This implies that weaknesses in the function of planning makes monitoring and evaluation of projects and programmes difficult. Besides, lack of action on monitoring and evaluation reports of EAC makes it difficult to establish whether the set objectives are being achieved.

The Audit Commission recommended that:

i) The EAC management ensures that the planning, monitoring and evaluation functions are strengthened, and that monitoring and evaluation reports are acted on;

ii) The functional relationship of the monitoring and evaluation function needs to be revised.

EAC management reported that during FY 2008/2009, they will have the technical assistance from GTZ and the support from the Department for International Development (DFID), which will fund two positions of a planning officer and a planning expert.

In this framework, the Council of Ministers also made a decision to establish the position of Deputy Secretary General in charge of Planning, and there will also be a directorate of planning. They have undertaken the mid-term review of the EAC development strategy in order to focus on priority areas in the coming years. During the review, the strategic interventions will be costed, and this will be the basis of the next MTEF.

As far as reporting is concerned, they are now up-to- date; the templates are now across the programs implemented by EALA, and the East African Community judiciary. However, the implementation of the report is still lacking. The Monitoring and Evaluation manual is being developed to guide the monitoring and evaluation of projects.

The Committee noted lack of clear linkages between the Audit Commission's recommendations and EAC management's response. The Committee also noted with concern over-dependence on donor funding for core activities of the Community.

The Committee recommends that the Assembly:-

i) Directs EAC management to design a roadmap and strategy of depending less on donor funding for EAC core activities;

ii) Urges EAC management to hold and take seriously exit meetings with the Audit Commission.

2.3.2 Vehicle management

a) Transport policy

The Audit Commission reported that EAC does not have a functional transport policy in place. The existing document is still in a draft form and has not yet been completed and approved. This implies that lack of a transparent policy could lead to poor management of the Community's vehicles leading to high vehicle maintenance costs.

The Audit Commission recommended that a transport policy be completed to streamline management of the Community's vehicles.

EAC management was in agreement with the Audit Commission's recommendations and said that the policy is one of the items scheduled for approval in November 2009, when the Council of Ministers will be holding a special session.

b) Fuel requisition notes

The Audit Commission noted that copies of fuel requisition forms are not kept by the Transport Department. All requisitions are made in one copy which is sent to the Finance and Accounts Department for payment. This implies that this method does not facilitate proper monitoring of fuel consumption of each vehicle.

The Audit Commission recommended that the Transport department keeps a copy of the fuel requisition notes in order to keep track of the fuel consumption of each vehicle.

EAC management informed the Committee that log books and fuel cards had been introduced to track fuel consumption, but agreed with the audit findings and recommendations and promised to implement them.

The Committee recommends that implementation be expedited because fuel consumption is a big component that can easily be abused.

2.3.3 Travel and Subsistence Allowance

The Audit Commission noted that the travel and subsistence allowances paid out increased significantly from US $1,916,882 in FY 2006/2007 to US $3,588,528; an increase of 87 percent. This implies that there is lack of control over members of staff who travel to attend conferences and workshops.

The Audit Commission recommended that conference costs should be controlled by limiting the staff to only those who have an input in these conferences, while other services should be hired in the countries in which the conference is taking place.

The EAC Management reported that this component of expenses has increased due to increase and expansion of the Community. That during this financial year, there was introduction of activities on the common market negotiations in all partner states. In addition to that was the introduction of the Economic Partnership Agreement (EPA) negotiations, various workshops on Rules of Origin, NTBs, all undertaken in different partner states.

According to the EAC records, the consolidated budget for travel and subsistence allowances for FY 2007/2008 amounted to US $3,849,741. Out of this, the actual and committed amount on this budget line was US $3,588,528.

While the Committee appreciated EAC management's response that takes care of the Assembly activities, the Committee agreed with the Audit Commission's recommendation that management's response should be explained properly to indicate increment caused by EALA activities.

2.3.4 Human Resource Management

The Audit Commission observed that the EAC does not have a human resources management policy. The policy would give proper guidelines on recruitment process, rewarding, staff rotation, promotion and other procedure intended to motivate staff.
The Audit Commission noted further that the existing organisational structure of the Community appears to have been overtaken by current developments. As a result, some appointments have been made outside the organisational structure. This implies that lack of a proper human resource management policy will not guarantee proper management of human resources, placement or motivation of employees.

EAC management reported that EAC has Staff Rules and Regulations approved by the Council of Ministers on the 3rd April 2006. The staff rules and regulations give all policy guidelines on the recruitment process, the organizational structure and staffing of the Community, including other terms and conditions of service. EAC implements its recruitment process as stipulated under Regulation 19.

It is also important to note that all positions in the EAC are competitively filled. However, there exist short term project positions which are not reflected in EAC's organizational structure since they are not part of the establishment. The positions are accommodated for specific project life spans and that the Audit Commission may not have related some of these project positions to those within the EAC establishment. The Commission should hence note that the appointments perceived to be outside the organisational structure are accommodated within the specific project proposals which are properly approved and funded. However, the EAC follows the recruitment process stipulated in the policy manual even for the project positions.

The EAC Council of Ministers noted the inadequacy of the Human Resource Policies and Procedures manual and EAC management has procured a consultant who is currently reviewing the manual. The exercise was expected to be concluded by July 2009.

The committee observed that the Human Resources and Procedures manual are overdue. However, this has had its impact from non-conclusion of the headquarters agreement. Secondly, the Committee observed that it is due to the absence of the policy that the following issues arose:-

a) Non-categorisation of EAC professional and general staff;
b) Maintenance and imposition of work and variant permits and the continuous visa restrictions to the EAC employees;
c) Non-compliance with the provisions of the EAC Treaty on immunities and privileges.

The Committee recommends to the Assembly to:

i) Direct the Secretary-General to conclude the Headquarters Agreement with all EAC partner states;

ii) Direct the Secretary-General to harmonize work and residential permits to the contract period of EAC employees and all other people engaged in EAC activities in line with the proposed headquarters agreement and the Treaty for the establishing the East African Community;

iii) Direct EAC management to consider provisions of Article 138 of the Treaty for the establishment of the East African Community and the Headquarters Agreement while developing the human resources policies and procedures.

Mr Speaker, Part III is on the audited financial statements of the Lake Victoria Basin Commission for the year ended 30 June 2007

3.1 Introduction

Lake Victoria Basin Commission (LVBC) is a specialised institution of the EAC that is responsible for coordinating the sustainable development agenda of the Lake Victoria Basin. The LVBC was established by the Protocol on the sustainable development of the LVBC, which was rectified by the partner states in December 2004. The LVBC became fully operational in April, 2006. It relocated to its headquarters to Kisumu in Kenya from Arusha in January 2007.

3.2 Follow-up on previous year's audit findings

3.2.1 *RV Jumuiya*

The Audit Commission reported that in 2004, the DFID offered a vessel to the East African Community for use in Lake Victoria Basin to improve safety of navigation, research and educational related activities on Lake Victoria.

The vessel, which is docked at the Port of Mwanza in Tanzania, was not insured because it was found not to be seaworthy due to lack of basic navigation and safety equipment, and the absence of permanent staff in the form of a captain and a marine engineer.

In the previous report of the Accounts Committee, it had been recommended that the recruitment of the two staff should be expedited and a report on the status should be submitted to the Assembly by February, 2009.

LVBC management reported that *RV Jumuiya* has since been fitted with basic navigation equipment and was tested during the exploratory hydro survey of Mwanza, Kisumu and Port Bell ports, and that insurance will be secured after installing the secondary eco-sounder.

The Committee noted with concern that the Audit Commission was not satisfied with the report which necessitated visiting Port Mwanza. Upon verification, the report revealed the following:

i) The vessel's two engines, the gear box and the generator are old and obsolete.

ii) The vessel's life-boat was destroyed during the exploratory hydro graphic survey of the ports of Mwanza, Kisumu and Port Bell.

iii) Fire extinguishers and inflatable life rafts had not been serviced.

iv) The vessel lacked trans-users and flares, weather forecast equipment like the helicon antennae, and a signal receiver for weather updates.

v) The CCTV camera system was not working and the binoculars were old; and

vi) The floor deck point was also peeling off.

It was therefore concluded that the authorities may not issue the certificate of seaworthiness and that insurance may also not be attained. The vessel therefore is not operational.

The LVBC management further reported that the engine and generator needed to be replaced but that it had no budget for this. However, proposals were written and money secured in April, 2009. A contract has already been concluded with a firm based in Port Mwanza to repair the vessel and that it would be completed after 12 weeks.

The Committee noted the importance of having *RV Jumuiya* in operation because of the LVEMP II project and other issues of safety and security.

The Committee therefore recommends that after 12 weeks, the Committee on Accounts should make a site visit with a specialised technical marine engineer to verify and ascertain the status of the ship as requested by the LVBC management.

3.2.2 Finance and Accounts Section

The Audit Commission had reported that the Finance and Accounts Section of the LVBC was manned by one person, who performed all accounting functions of the LVBC, LVEMP and the Partnership Fund. This resulted into delays in preparing financial statements and failure to prepare quarterly budget performance reports.

The LVBC management reported that the position for Senior Accountant, Projects Accountant, Accounts Assistant and Procurement Assistant had been filled.

The Committee noted with satisfaction the progress made by LVBC management.

3.2.3 Internal audit

The Audit Commission had reported that the LVBC had no internal control systems to carry out risk assessments in the organisation as required by regulation 72 of the LVBC Financial Rules and Regulations. However, LVBC management reported that an Internal Auditor had been recruited.

The Committee was satisfied and commended the progress.

3.2.4 Depreciation rates

The Audit Commission reported that the previous audit had noted that property, plant and equipment had been depreciated at unrealistic rates.

The LVBC management reported that the rates adjustments have been proposed and are awaiting the adoption of the Financial Policies and Procedures manual of the Community.

The committee was convinced, and agreed with the LVBC management reports.

3.3 Current year's audit findings and recommendations

3.3.1 Fixed assets

The Audit Commission reported that the fixed assets of the Commission had not been engraved. This implies that the Commission's assets risk identification.

LVBC Management reported that engraving is being done.

The Committee noted with appreciation the compliance of the LVBC management with the Audit Commission's recommendation.

3.3.2 End of Year Board of Survey

The Audit Commission reported that a board of survey for the year under review was not carried out to verify stores items and fixed assets of the Commission as required by the LVBC financial rules and regulations. This implies that financial statements may not fairly state valuation of fixed assets and store items and non-identification of damaged and obsolete items for repair.

LVBC management reported that they complied with the Audit Commission recommendation and that an end of year board of survey has since been instituted.

The Committee commended LVBC's progress efforts.

3.3.3 SUN Accounting System

The Audit Commission observed that the EAC, for uniformity and compatibility of financial reporting and accounting, adopted the SUN accounting system. EAC temporarily gave LVBC the SUN Ledger Accounting Module, pending LVBC acquiring their own. LVBC has not been able to acquire the SUN accounting software and license due to lack of funds. The LVBC management had forwarded proposals for funding. This implies that the use of an incomplete accounting system affects reliability and timely production of financial statements.

LVBC management reported that they are in the process of procuring their own accounting system.

The Committee wondered whether it is cheaper for LVBC to acquire its own SUN accounting system or to share with the EAC Secretariat by extending the licence.

The Committee urged LVBC management to utilise benefits of integration and economies of scale by using one accounting system with the EAC since the systems is multi-user.

In the meantime, the Committee was provided with communication costs involved in sharing the SUN accounting system that looked more expensive than the cost of LVBC acquiring its own. The committee did not agree with the information provided and subjected the matter to technical evaluation before LVBC acquires its own SUN accounting system.

3.3.5 IT security and management

3.3.5.1 Assets of the Commission

During the audit exercise, the Audit Commission noted that LVBC management had not yet developed an information system control and security policy. Also, a record of the inventory of IT hardware and software of the Commission's IT assets was not updated. This implies that there is non-prevention, identification and mitigation of IT risks, together with unfair presentation of IT assets of the LVBC.

LVBC management reported that a team of experts is currently studying a draft IT policy developed by the EAC Secretariat together with all organs and institutions of the EAC. Once finalized, LVBC would customize it in order to provide and maintain uniformity.

The Committee, however, urged LVBC management to have an updated inventory and make use of internal auditors to harmonize institutions of the Community.

3.3.6 Creditors

The Audit Commission reported that a creditors' ledger was not maintained at LVBC. This implies that the creditors' balances may not be reconciled leading to misstatements in the financial statements.

LVBC management reported that a creditors' ledger is now in place and is computerised.

The Committee upheld the Audit Commission's recommendation that the LVBC management should endeavour to maintain a creditors' ledger for effective management of creditors.

3.3.7 Funding of LVBC

The Audit Commission reported that LVBC receives part of its funding from partner states through the EAC Secretariat which makes remittances to LVBC. It also reported that there was no clear procedure regarding the financial remittances to LVBC by the EAC. This implies that LVBC will always find it difficult to know and plan for their financial resources.

EAC management reported that when partner states disburse money, e-mails are sent to organs and institutions to notify them of the progress. Thereafter, allocation is done in accordance with the budget proportions of the various organs or institutions.

The committee observed that e-mails are just tools of information and not a financial procedure.

The committee noted the anomaly and recommends to the Assembly to:

i) Direct EAC management to develop a remittances procedure to all its organs and institutions;

ii) Direct EAC management to circulate the remittances procedure to all its organs and institutions and copy them to the Audit Commission.

3.3.8 Adoption of International Public Sector Accounting Standards (IPSAS)

The Audit Commission reported that section 78 of the draft LVBC Financial Rules and Regulations requires the Commission to adopt IAS or IFRS. However, according to paragraph 9 of the preface to IFRS, only governmental business entities are required to adopt IFRS while the rest of the non-business public sector entities are required to apply IPSAS. Since LVBC is not a profit oriented entity, it should consider adopting IPSAS as opposed to IFRS. This implies that the Commission's financial statements may not meet the needs of their users due to some differences in treatment.

The Audit Commission recommended adoption of IPSAS framework.

LVBC Management reported that it is in agreement with the Audit Commission but for purposes of uniformity, they are applying the same accounting standards as the EAC Secretariat and would comply with any change initiated by the EAC Secretariat.

The committee noted that LVBC will comply and move with EAC Secretariat.

3.3.9 Assets Register

The Audit Commission reported that the fixed assets register was incomplete because it lacked costs of acquisition, location and depreciation. This implies that due to lack of a proper and complete asset register, the completeness and accuracy of the property, plant and equipment reflected in the financial statements could not be confirmed.

The Audit Commission therefore recommended putting in place a complete asset register containing all information pertaining to the assets of the LVBC.

LVBC management reported that a complete assets register was in place but columns containing details were hidden in the MS-Excel Program that was initially availed to the EAC Audit Commission. They however promised to concur with the recommendation.

The committee noted a contradiction in reporting by the Audit Commission and LVBC management and directed the LVBC management to satisfy the Audit Commission.

3.3.10 Land

The Audit Commission reported that IAS 16 requires that all items of property, plant and equipment be disclosed in the financial statements. However, both LVBC's land and RV Jumuiya were not valued and reflected in the financial statements. The Audit Commission therefore recommended valuation of the land and the ship in order to have them reflected and recognised in the financial statements.

LVBC management reported that a committee has been set up to undertake, among other things, valuation of land in the course of FY 2009/2010. Valuation of the ship will also be done after refurbishing and replacement of the old engine and generator.

The committee was satisfied with the LVBC management report but required clarification on the issue of lease and title, which was confirmed to be in place and registered under LVBC's name as an institution of EAC.

Mr Speaker, Part IV covers the Audited Financial Statements for the Lake Victoria Basin Commission Partnership Fund

The Audit Commission reported that the financial statements were audited and that no audit queries were registered.

The committee commended with appreciation the clean audited accounts but noticed that LVBC PF is not using realistic depreciation rates and had not engraved its assets. The committee therefore concurs with the Audit Commission recommendation that LVBC management should review the depreciation policy on non-current assets of the Partnership Fund to reflect the wear and tear of assets as a best practice and adjust the financial statements accordingly, engrave all its fixed assets and ensure that the board of survey is carried out to ascertain the status of the fixed assets acquired under the Partnership Fund.

Mr Speaker, Part V is on the Audited Financial Statements of the Lake Victoria Environment Management Project (LVEMP II) for the financial year ended 30 June 2008

LVEMP II is a project of Lake Victoria Basin Commission (LVBC), composed of three projects: the Trans-boundary

Diagnostic Analysis and Strategic Action Plan (TDA), Policy and Human Resource Development (PHRD) and Promotion of Sustainable Development in the Lake Basin area by the Swedish International Development Co-operation Agency (SIDA) – LVEMP II.

5.1 Follow-up on the previous year's audit findings

5.1.0 Purchase of desktops, laptops and other computer accessories

The Audit Commission reported that LVEMP II paid for the purchase and delivery of desktops worth KShs 120,000, laptops worth KShs 300,000, and computer accessories worth KShs 243,595 totalling to KShs 665,595 from M/S Online Merchants, M/S Tilan Home Enterprises and M/S Lemu Traders respectively.

The purchase was done and paid for by the Ministry of Environment and Natural Resources of the Republic of Kenya on the understanding that LVEMP II was to reimburse the total amount. However, instead of LVEMP II reimbursing the Ministry, it made direct payments to the suppliers, raising suspicion of a double payment.

Last year, the committee had recommended that the Audit Commission investigates whether there was double payment and report back.

The Audit Commission later mandated the Kenya National Audit Office (KNAO) to verify this anomaly. A report produced by the KNAO dated 6 February 2009, to the Chairperson of the EALA Accounts Committee, established that no double payment was made. The issue was deemed to be resolved.

The committee noted the progress and is convinced about the action taken during the follow-up.

5.2 Outstanding claims, deposits and pre-payments not recovered

The Audit Commission reported that debtors' claims, deposits and prepayments amounting to US $253,264 were outstanding as at 30 June 2007 compared to US $77,729.46 as at 30 June 2006. No evidence has been availed to show that the amounts have been recovered.

Previously, the management of LVBC had reported that all advances had been fully accounted for and the Assembly had directed LVBC to submit the necessary documents to the Audit Commission for verification.

The LVBC management complied with the directive and the documents showed a substantial recovery of advances and prepayments reducing to only US $8,954.54 as at 30 June 2008 from US $253,264 as at 30 June 2007.

5.3.0 Current year's audit findings and recommendations

5.3.1 Compliance with the Financing Agreement provisions

The Audit Commission observed that in preparation for the inception of LVEMP II, it was a condition by the World Bank that financial management and disbursement arrangements are put in place by LVBC management. The Audit Commission established that management of the Commission had fulfilled the requirements set by the World Bank and development partners towards the commencement of LVEMP II.

The financial management and disbursement arrangement conditions were prepared in the following manner:-

i) The Project Implementation Plan;
ii) Project Implementation Manual;
iii) Project Procurement Manual;
iv) Project Financial Management Manual.

No activities had commenced during the audit period. However, this has an implication that financial management rules, procedures and policies are now in place for commencement of LVEMP II.

The Committee took note of the development.

Mr Speaker, Part VI is on the Audited Financial Statements of the Mt Elgon Regional Ecosystem Conservation Programme (MERCEP) for the fifteen-month period ended 31 March, 2009

6.1 Introduction

MERECP is an EAC regional programme initiated in response to the conservation and development needs of Mt Elgon Ecosystem. This is a trans-boundary ecosystem that spans the border between Kenya and Uganda. It has over 180,000 hectares of forest and supports many hundreds of thousands of people, directly or indirectly. It is a catchment for important water systems contributing to the River Turkwell, Lake Turkana, Lake Victoria basin and the Nile River basin via Lake Kyoga.

On 3 February 2004, the EAC entered into a financing agreement with the Norwegian Government for a grant of US $4,874,342 to be extended by the governments of Norway and Sweden to the support and inception phase of the MERECP for a period of 4 years from September 2005 – 2009.

On 02 September 2005, the EAC then entered into a cooperation agreement with the World Conservation Union (IUCN) for the provision of technical, advisory, programme and financial management services to MERECP. The IUCN is therefore responsible for the provision of the overall technical backstopping, supervision and coordination of programme activities carried out by the implementing institutions and consultants.

A mid-term review of the project has been done and the project life has been extended to December, 2010.

6.2 Audit findings

The Audit Commission reported the inability to obtain sufficient and appropriate evidence to provide a basis for an audit opinion.

Funds from IUCN and MERECP were commingled to the extent that they could not establish the funds due to MERECP at the beginning and at the close of the period under review. Further, although IUCN opened bank accounts to cater for MERECP operations in compliance with paragraph 10.6.4 of the MERECP implementation manual, funds were either not channelled to the account as was the case in Kampala or previous balances were not transferred to the opened account as was the case in Nairobi. As a result, some MERECP transactions continued to be carried out through the IUCN main account.

No other audit procedures could have been used by the auditors to ascertain the cash balance and the financial position of MERECP as at 31 March 2009. The Audit Commission has therefore not been able to express an opinion on the financial statements of the MERECP.

The committee noted this situation with concern and disappointment.

The Committee recommends that the Assembly:

i) Directs LVBC management to draw terms of reference for the forensic audit in consultation with the Audit Commission;

ii) Directs LVBC management to institute and carryout forensic audit of the Project by advertising and engaging independent audit firms of only EAC partner states of the United Republic of Tanzania, Republic of Rwanda and Republic of Burundi.

iii) Directs the Committee on Accounts to make an onsite visit to Sironko, Mt Elgon and any other MERECP project to inspect and confirm implementation.

Part VII: Audited Financial Statements of the Civil Aviation Safety and Security Oversight Agency (CASSOA) for the Financial Year ended 30 June, 2008

7.1 Introduction

In accordance with Article 9(2) of the Treaty for the establishment of the East African Community, CASSOA was established and operationalised on 01 June, 2007 as an autonomous self-accounting body of the Community following the ratification of the its Protocol by the EAC founder partner states on 18 April 2007. It was formally established on 18 June, 2007 during the fifth Extra-Ordinary Summit of the EAC Heads of State held in Kampala, Uganda.

The principal objectives of CASSOA are:

i) To promote safe, secure and efficient use and development of Civil Aviation within and outside the partner states.

ii) To assist the partner states in meeting their safety and security oversight obligations and responsibilities under the Chicago Convention and its annexure.

iii) To provide the partner sates with an appropriate forum and structure to discuss, plan and implement common measures required for achieving the safe and orderly development of international civil aviation through the implementation of international standards and recommended practices to the safety and security of civil aviation.

7.2 Audit Findings

a) Budgeting of CASSOA

Under Article 9 of the CASSOA Protocol, the Secretariat of the Agency is responsible for preparing an annual programme of activities and budget for approval by the Board. The first year draft budget was for the operationalisation of CASSOA as well as coordinating assistance from partner states. Below is the analytical review carried out on expenditure, which revealed budget overruns on various expenditure items.

CASSOA				
Particulars	**Actual $**	**Budget $**	**Variance$**	**Performance%**
Education allowance	12,000	-	(12,000)	-
Entertainment allowance	3,900	3,600	(300)	108
Motor vehicle insurance	1,308	1,030	(278)	127
External hire of motor vehicles	34,910	26,520	(8,390)	132
Office expenses	4,181	3,192	(989)	131
Motor vehicles expenses	2,203	1,200	(1,003)	184
Telephone, fax, and internet	2,771	2,200	(571)	126
Postage	533	252	(281)	212
Rent of office premises	5,616	14,400	8,784	39
Clearing and forwarding	1,401	11,000	9,599	13
Conference costs	129,068	90,835	(38,233)	142
Travel & subsistence allowances	64,393	55,376	(9,017)	116

The implication was that there was lack of budgetary discipline during the period.

The Audit Commission therefore recommends that the Agency management should seek approval to reallocate funds from one budget line to another.

During the period, the budgeting process was done within the financial year and was based on estimates due to lack of prior experience. The agency, which started operation on 01 June 2007, had only one month to develop an annual programme of activities and budget. This led to a number of over and under estimations hence the overruns and under-spending observed.

The agency management has since recruited an accountant to be part of the budgeting process and as recommended, reallocation of budgets has already been carried out in the current financial year's budget to avoid a similar outcome in the current year.

The committee noted the agency management's response.

b) Ratification of the CASSOA Protocol

It was noted that the Protocol for the establishment of the EAC CASSOA has not been ratified by all member states except Uganda which ratified and submitted the instrument of ratification on 4 December 2007.

According to Article 19(1), the Protocol shall enter into force upon ratification and depositing of instruments of ratification with the Secretary-General by all partner states. The Audit Commission noted that Kenya and Tanzania, which are signatories to the Protocol, are required to ratify the Protocol, while Burundi and Rwanda were expected to accede to the Protocol in accordance with Article 20 of the Protocol.

The implication is that the delay by partner states to ratify affects timing of the coming into force of the Protocol and the operations of the Agency.

The Committee was however informed that the Protocol has now been ratified by the three founding partner states of Uganda, Kenya and Tanzania.

The committee noted that the Protocol has been ratified and the Assembly has passed a Bill on CASSOA.

c) Governance of CASSOA

The Audit Commission noted that a full governing board was not fully constituted during the year under review. The civil aviation experts who were to be nominated as members of the board had not been nominated. The current Board is constituted by heads of the respective civil aviation authorities who are also full-time executive officers in their respective countries.

The implication is that an incomplete board impacts on the decision-making process. Besides, the decisions taken may be challenged.

The Audit Commission urges CASSOA management to ensure that Partner States of the agency appoint and send civil aviation experts to fill the Board positions established under Article 7(2a)-(2d) of the CASSOA Protocol for effective management of CASSOA.

The agency's management reported that the delay has been precipitated by the delayed ratification process as ministers in charge of aviation, who are supposed to appoint the aviation experts could not do it until the ratification process was complete.

The committee noted that the operationalisation of CASSOA had been done before the Protocol was ratified and before passing of the enabling legislation.

d) Internal audit review

During the period under review, the Audit Commission noted that there was no internal audit review carried out or bi-annual reports produced as required by Regulation 72 of the EAC Financial Rules and Regulations (2006), which CASSOA has adopted in the interim period.

The implication observed is that the internal audit review is an important process aimed at ensuring that the internal controls in place are effective in safeguarding the Agency's assets and economic use of resources.

The Audit Commission recommends that management of the Agency should ensure internal audit reviews are undertaken as part of improving the operations of CASSOA and the EAC.

The agency's management took note of the observation and reported that recommendations are being forwarded to the CASSOA Board to appoint the EAC Internal Auditor for this function.

e) Accountable documents

The Audit Commission noted that a review of the Agency's payment vouchers showed that the supporting documents accompanying the payments and payment vouchers were not stamped 'PAID' as required by Regulation 51(5a) of the EAC Financial Rules and Regulations (2006) used by CASSOA in the interim period. The implications is that payments can easily be made and go undetected on the same documents.

The Audit Commission recommends that all payment vouchers and supporting documents should be stamped 'PAID' as per Regulation 51(a).

The Agency's management reported that this had been implemented in the current financial year.

The committee noted an irregularity as indicated by the Audit Commission and also took note of the explanations given by the agency's management.

The Committee emphasized that procedures should be harmonized and that positions should always be filled after approval by the Council of Ministers.

The Committee however noted the clarification provided by the EAC management.

f) Segregation of duties

In the Audit Commission's findings, it was noted that the existing staff structure in the financial accounting function during the year under review did not allow for delegation of accounting activities. The accountant performed all the accounting functions with no staff to delegate to. The implication is that errors may be perpetuated in the accounts and go undetected.

The Audit Commission recommends that the Board considers additional staff in this area in order not to compromise the effectiveness of the Agency's operations.

Management reported that the CASSOA Board of Directors at its first meeting in July 2007 in anticipation of this approved the job description for the position of accounts assistant and this will be implemented as part of the five-year strategic plan of the Agency which is expected to have been completed by the consultants in April 2009.

The Committee noted the explanation by agency's management's.

PART VII: General Observations and Conclusion

The Committee observed that it received proper audited accounts in the previous auditing periods. This time, the committee has received audit reports with qualified audited financial statements including a disclaimer on MERECP.

The Committee further noted that EAC management does not agree or pay attention to responses provided in the audited financial statements. The committee therefore recommends to the Assembly to direct that:

a) In future, the EAC Secretariat should prepare a comprehensive end of year report that gives proper management responses to avoid confusion;

b) The Secretariat should ensure that all organs, institutions and projects are properly managed to avoid disclaimers by the Audit Commission.

Mr Speaker, the Committee wishes to thank the Hon. Speaker, the Clerk and the entire management of EALA for the excellent facilitation accorded to it, which enabled the committee to finalise its work within the given timeframe.

The committee further wishes to thank the Audit Commission for, once again, fulfilling their mandate as bestowed upon them by Article 134 of the Treaty.

Finally, the committee would like to commend the Secretariat for the continued cooperation it has had with the committee since this Parliament started.

I also wish to thank the Members of this committee who worked tirelessly to make sure that the report is completed as scheduled.

I also thank the participants, members of the Secretariat, members of the LVBC, CASSOA, Audit Commission and finally the EALA staff.

I beg to move. *(Applause)*

The Speaker: Hon. Members, before I open debate, I would like to recognise the presence of the future leaders of East Africa. As you can see in the Speaker's gallery, we have students from Kiwarimba Secondary School. They are 17 in total. Could they please stand up for recognition? They are with their two teachers and their headmaster, Mr Watitu Wangere. Could they please stand up for recognition? *(Applause)*

Mr Bernard Mulengani (Uganda): Thank you very much, Mr Speaker. I would like to say that I am a member of the Committee, and I rise to basically pick a few areas that I feel our Chairperson did not elaborate enough.

Mr Speaker, I want to say from the onset that we as a Committee have generally raised concern that since the EAC was revived, and based on the various accounts brought to this House, this is the first time that properly audited accounts have been presented to this Assembly. In spite of the various queries that the Committee on Accounts has raised from June 2001 to date that the auditors have not been giving qualified accounts to this House to consider, this issue raises questions in our minds as to whether the people who are being sent to audit accounts of the Community have been taking the job seriously, or whether the people within the Community were managing these reports such that the accounts were not qualified.

I am raising this concern because the issue of audited accounts rotates around the internal auditor. In our report, the Chairperson has been clear; he has said that there were no reports submitted by the Internal Auditor to the Audit Commission. This practice should stop. I am therefore urging the Council of Ministers, and the immediate supervisors of the relevant persons, to stop such practices where people make mistakes at this level and walk away with impunity. It is high time the Community led by example.

Since the report of June 2001, has been talking about the lack of financial manuals and regulations and the Internal Auditor's office being under-staffed, I think after this report the Council of Ministers and the leadership of the Secretariat should assist the Assembly to achieve our recommendations and to make sure that people do their jobs.

The internal auditor in any institution is the person who looks at the rules and procedures in that institution. It is therefore my opinion that all these anomalies are arising because the Internal Auditor is not doing his job; he is actually absconding his duties.

During the meeting and interaction with the technical staff of the Secretariat, there was mention of the Internal Auditor not being able to present a report because he was involved in writing certain manuals. However, we also know that when we were budgeting, we put in money for consultants to write certain manuals. We therefore need to be very careful, because we should ensure that the Community, after 10 years, should be able to stop talking about things that are not tenable. People outside there want to see tangible results, and we are now here talking about forensic audits.

MERCEP is not a new item in our agenda. There were a lot of concerns raised about MERCEP, including the cutting down of trees in Sironko, but nothing was done. Similarly, nothing was done to look into why MERCEP is messing up a lot of things. To date the auditors have failed to see anything to support their audit reports, and, therefore, we recommend a forensic audit.

The reason we are proposing that the auditors going to do the forensic audit should come from Rwanda, Burundi and Tanzania is because Kenya and Uganda are the beneficiaries. All we want to do is to remove doubt of the forensic audit; that possibly they may connive or cause conflict of interest for that matter. In this regard, I want to support the position of the Committee.

Mr Speaker, lastly I want to say that I am convinced that the investment they did to put money on a fixed deposit is the best one, but the procedure under which they did it is not correct. For example, who knows that we would have got 6 per cent interest somewhere? Also, this attitude of just putting money in a fixed deposit bank account because it is EAC money is not good. The sum of money concerned is not little money. Therefore, we want to advise that we should get an investment plan, and all these documents that we are talking about should be put in place if the internal auditor is to be strict with these procedures.

With these remarks, I beg to support the Motion. *(Applause)*

Ms Dora Kanabahita Byamukama (Uganda): Thank you very much, Mr Speaker for giving me the opportunity to contribute to this motion. I would like to declare from the onset, like hon. Mulengani, that I am also a member of this committee, and for that reason I would like commend the chairperson for ably presenting our report. I would like to give you an idea of how the committee felt as it came up with this report, because some issues are not easy to articulate.

I would like to start off by going back to the theme, especially as we come here, of celebrating 10 years of the existence the East African Community. It is no mean feat, and it is very important that we applaud the fact that we have now spent 10 years together, which gives us the need to audit what we have been doing and to ascertain whether what we have been doing has been on the right course, and if not, to change.

Mr Speaker, when you look at Article 49 of the Treaty, the functions of the Assembly are very clearly spelt therein; we are a legislative organ. We have the mandate to liaise with national Assemblies; the mandate to debate and approve the budget of the Community; the mandate to consider annual reports and to discuss all matters of the Community. But more significantly, I would like to turn to Article 134 of the Treaty, which gives us another cardinal mandate, which, although not specified in Article 49, is the mandate of having the oversight function. This function is sometimes not given the due attention that it deserves and yet it is a cardinal function of any legislature in that it provides checks and balances, especially as we move towards separation of powers, and, therefore, operationalisation of good governance.

On the issue of good governance, I would like to make reference to Article 6 of the Treaty, which provides for fundamental principles of the Community.
Article 6(d) states:

"The fundamental principles that shall govern the achievement of the objectives of the Community by the Partner States shall include good governance, including adherence to principles of democracy, rule of law, accountability, transparency, social justice, equal opportunities, gender equality as well as recognition, promotion and protection of human and people's rights in accordance with the provisions of the African Charter on Human and People's Rights."

I would like to highlight the principles in this case: accountability and transparency.

Related to that, when you look at Article 134 of the Treaty, the Article which provides for the audit report, it is very clear that it is the duty of the Audit Commission to verify that any contributions received or revenue collected by the Community have been allocated and distributed in accordance with this Treaty, and to include a certificate to that effect in its report.

In Article 134(3), it states that, *"the Audit Commission shall submit its report under paragraph 2 of this Article to the Council, which shall cause the same to be laid before the Assembly within six months of receipt for debate and for such other consultation and action as the Assembly may deem necessary."*

I am making reference to these Articles of the Treaty to clearly show the fact that we are seized with the duty and mandate to carry out the oversight function, and that it should be adequately budgeted for in the activities of the Assembly.

Having said this, I would like to allude to only one last paragraph; the last one on page 43 of our report. Although we note it under "general observations and conclusions", I think it captures the whole spirit of the report.

We note as a committee that this time the committee has received audit reports with qualified audited financial statements, including a disclaimer on MERCEP. When you consider the fact that these audited financial reports were qualified and they also have a disclaimer, it raises the issue of whether there is transparency. Let me put it more directly; we start wondering whether this animal or monster of corruption is creeping into the East African Community! It raises serious concerns, and it means that we need to do more in order to ensure that this monster does not follow us even to the EAC.

Mr Speaker, I would like to note, maybe for emphasis, some of these points. The first point which was raised by Hon. Mulengani is the issue of the internal audit; the fact that this particular office needs more personnel, it needs capacity building and it needs to be supported by being given resources to do its work.

Secondly, there is the issue of manuals. I cannot overemphasise the point that if we do not have guidelines or rules, then anything goes, and therefore this makes the EAC more susceptible to corruption or other malpractices.

There is the issue of non-adherence to the Audit Commission recommendations and even more perturbing, to recommendations made by the Assembly. We have been making recommendations in this Second Assembly, and some of these recommendations were carried over from the First Assembly, yet no action is taken. In fact, at one time we consulted internally as to whether we should not have a prison in our premises so that we are able to arrest some of these people who come before us, who cannot clearly explain what they have done with the Community monies. *(Laughter)* We as a Parliament have powers of arrest because we have powers of a court. Therefore, I am asking that we should actually budget for a prison within the premises of the Assembly. *(Laughter)*

The issue of non-implementation of our recommendations also leads to another point, which is wastage of resources. You have heard time and again that the Audit Commission could not access information. The issue of access to information led to the disclaimer. So, the point is why can't the Audit Commission access information? I am proposing that we should have an Access to Information Act in the East African Community. *(Applause)*

Then there is the issue of corruption. As mentioned earlier, I would like to say that although the monies which are used in the EAC come from our partner states - and of course they could have been used for other issues such as construction of roads, hospitals - but because we want to build our Community, we have put aside this money. You find that because people can get away with all kinds of explanations, we are in effect enabling them to do what they cannot do at the national level, where they would be caught by the anti-corruption laws at the Partner State level. So, I am also proposing that we should have an anti-corruption Act right here. *(Applause)*

Finally, I would like to implore the Council of Ministers to take our work very seriously. We, as a committee, worked on this report within a record time of only 10 days. I cannot sing praises to the committee because I am a member, but I would like to say, maybe in a humble way, that this is a major contribution which the Council of Ministers should take seriously. *(Applause)*

Having said that, I would like to also plead with them to ensure that we have more resources in form of time and money for us to go ahead and make site visits to ascertain whether what is reported is true. We cannot do our oversight function by sitting in this air-conditioned Assembly when we need to be out in the field to meet with the people whom we represent and to ensure that the monies of the EAC are not only efficiently utilised but also effectively so.*(Applause)*

With those few comments, I beg to support the Motion. *(Applause)*

Mr Clarkson Otieno Karan (Kenya): Thank you, Mr Speaker, for giving me this opportunity to give a few highlights. I am a member of this committee, and I concur with the Committee's report but there are a few issues which I want to clarify. Some of them have been mentioned by other Members, but they need more emphasis, and that is why I want to utilise these few minutes.

The issue of the internal audit of the EAC is a serious issue that must be taken and must be corrected. When we were considering the Audit Commission's report, it came out quite clearly that the internal audit department is weak and it must be strengthened by giving it more staff. However, even the people who are there now cannot justify what they are doing; it was quite embarrassing!

Another issue which came out quite clearly was the fact that this issue of denying the Audit Commission access to documents was deliberate. I think the man managing the Audit unit enjoys it. It appears that when the Audit Commission asks for these documents and they tend to forget, he thinks that is a success on his side. He must realise that if he does not provide those documents, these issues will come out in the audit report.

It also emerged that the meetings between the Audit Commission and the EAC is not being taken seriously so as to solve the outstanding issues. The management of the Community and the Audit Department must take seriously the exit meeting so that they can correct issues which emerge before the Audit Commission leaves the Community.

The other issue is that of unrealistic rates, which boils down to the issue of lack of manuals and regulations. I think it is due to these unrealistic rates that the Community was given a qualified audit report. This thing will continue unless they seize the issue and correct it as a matter of emergency. This issue of manuals of the Community taking over one year in the labour ward is an issue that must be corrected.

From the time we came to the Community, these manuals have been in draft form and to date they are not completed. Today we are being told that by November, the Ministers will resolve this issue. But if it is not resolved, then we will still get a disclaimer in our next report. So, I would urge the Council of Ministers to take this issue seriously and dispose of this matter. If we have engaged experts and they have worked on these manuals - I understand it has even been referred back to the partner states to agree on - so why is this thing outstanding to date?

Mr Speaker, on the issue of assets, it is ridiculous to report that the Community does not have a complete assets register. This is laxity on the part of the Community, and it should not be something coming out in our report. I would urge the management of the Community to take this issue seriously, and to avoid travelling so that they can supervise various departments of the Community to ensure that work is going on.

Finally, I would like to turn to Lake Victoria Basin Commission. When we were considering this report, it came out quite prominently that they have improved quite a great deal, and the mother, who is the EAC should, borrow from the son, the trick they used to clean their audit reports. When the LVBC advertised for staff, they employed a former staff of the Audit Commission, and the man is doing quite a good job.

On the issue of the headquarters agreement, to date all these Members can be arrested by the Tanzanian Government because their passports are stamped on entry that they are not allowed to engage in any job, yet these people are sitting here working against the regulations of the Tanzanian Government. All of you sitting here are criminals because you are working without the authority of the Tanzania Government. (*Interjections*) Check your passports; they are stamped that you are prohibited from engaging in any income generating activity. So, if the Secretariat cannot take advantage and work on the headquarters agreement, even if we required work permits, let them get work permits for everybody – *(Interruption)*

Ms Byamukama: On a point of order, Mr Speaker, and with due respect, the comments which have been made by my colleague, hon. Karan, are very serious. We have reputations to protect. He said that we are all criminals. Is it in order for hon. Karan to call all of us, including your most distinguished person, criminals?

The Speaker: Hon. Byamukama, you are not a criminal. What hon. Karan is saying is something that should be looked into. His choice of words may be un-parliamentary, but what he is pointing out is an issue of concern.

Mr Karan: Mr Speaker I beg to withdraw the word "criminals" and replace it with a more fitting word. I have a stamp on my passport which says that I am prohibited in engaging in any "gainful assignment" in Tanzania, yet that is what I am doing now. If that is not criminal, then I leave it to you to choose the word. With those remarks, I beg to support the motion. *(Applause)*

Mr Augustine Lotodo (Kenya): Thank you, Mr Speaker. I wish to support the motion. I am not a Member of the Committee, but the report is good. I appreciate that the work has been done and the information flows.

I rose on one issue for which I need some clarification. On page 8, there is the issue of the EAC adopting international financial reporting systems, and the Committee has recommended that the system should be changed from IFRS to IPSAS because EAC is not a profit oriented entity. But if you go to page 14, under "investments", the Committee has directed the EAC to develop investment guidelines because it has money in the bank and the process of putting the money there was not correct. So, I just wanted clarification.

Here we are, asking EAC to develop an investment plan, which means that we are engaging in business, but at the same time we are telling them to change the system from a parastatal...International financial regulation systems apply only to government business entities, but because EAC is not a profit oriented entity, then it is supposed to adopt IPSAS. That is the only clarification I needed – *(Interruption)*-

Ms Janet Mmari (Tanzania): On a point of information, Mr Speaker, first of all, the hon. Members has said that the recommendation came from the committee but actually it came from the Audit Commission. It is true that EAC is not a profit oriented institution. It is like saying that usually men wear suits and women wear gowns. It would therefore be very surprising for me to see you in a dress like the one I am wearing sitting here. So, the Audit Commission looked at what EAC does and decided to come up with a recommendation of a reporting system that is in keeping with institutions that are not profit making.

Secondly, you are worried because we said that the EAC should come up with an investment policy. If you say that is wrong, it is like saying that since we are given money to spend from the partner states then we can decide to go and throw it away. However, usually the role of any institution whether it is profit oriented or not is to take care of what it has and to ensure that it is for the benefit of the people for whom it is intended. That is what we are advising. We are saying that yes, they put this money in the bank, but there are so many other options that they could have taken. What we wanted to see is a policy so that we can check whether the decision taken is in keeping with the policy.

Mr Lotodo: Most obliged. I thank you, Mr Speaker.

Ms Safina Kwekwe Tsungu (Kenya): Thank you, hon. Speaker. May I add my voice in congratulating the Committee and its Chairperson for a report well done, considering the conditions in which they had to work?

Hon. Speaker, I want to address three issues. One is an issue that runs through the report; that of lack of an internal audit unit. In this Assembly, in every submission by the Committee on Accounts - and this is its third submission - this matter has been an issue. Every time the Committee has urged this Assembly to either direct or urge the relevant offices to ensure that the internal audit office is well equipped.

An audit unit is like an alarm system that everybody, including us in our own houses, will try to have. If we had a functional audit office, the disclaimer about MERCEP would not have arisen. Likewise, the issue of having monies to the tune of US $52,000 used by CASSOA without being budgeted for would also not have arisen because the Internal Audit Unit would have highlighted it. So, is it contempt of this Assembly that every year the issue of the internal audit unit is raised and every year the Assembly directs, urges and recommends that this Unit be put in place? According to me, if we continue having a house that has no alarm system, then anybody can walk in and out, and surely, how would we be able to even cry wolf if we do not have any security or alarm system within the house?

The second issue I want to speak on is that of the *MV Jumuiya*. I think we need to interrogate this matter, because this is a clear case of dumping; this is a vessel that was dumped into the EAC. We must therefore put our foot down and seek remedy. How could a vessel be dumped into East Africa in the guise of a charitable donation? Something that has never operated even for a full month consecutively, lying at some port along Lake Victoria, and yet we say it is a property of the EAC! How can we claim junk to be our property? This is shameful! According to me replacing the engines, gear boxes or painting it will not work. Will that make it better or more functional? How can we patch this thing up surely? Every year we commit money - and even this year, I am sure in the budget there will be money for MV Jumuiya! This thing should go back to where it came from, or we could sell it as scrap. Maybe we could even earn more money that way rather than putting in money every year that has no end results! *(Applause)*

Mr Speaker, the issue of manuals is also a song like that one of the internal audit. How can EAC, celebrating 10 years this year, have been operating with no manuals? How can you engage a consultant with no terms of reference? It is as if you can just come into the EAC, do whatever you want to do, do it well if you can, and the EAC will say thank you; do it badly and nobody will hold you accountable because there is nothing that makes you tow a line! How can we, every year, speak of not having accounting manuals? What kind of institution exists without accounting manuals? We said the special Council that is going to sit in November shall look into it - actually this special Council is going to have so much business...it will be the busiest of all councils meetings – *(Interruption)* -

Ms Mmari: On a point of information, Mr Speaker, I actually appreciate what the hon. Member is saying, but I will put it very simply. When you have an institution and you have no manuals and no policies, it is like driving a car without a licence. So, that is exactly what we have done. We are driving this institution without a licensed driver.

Ms Kwekwe: Hon. Speaker, it is like when you are stopped by the traffic police and you feign shock that you have been caught driving without a driving permit, or you seem very astonished and yet you are the one on that wrong…hon. Mmari could not have put it any better.

On the issue of the disposal of assets, this is one area where many African and even non-African countries have perfected the art of corruption, especially where you dispose of assets whose value is unclear. In one of the statements, the Committee said that there was a loss occasioned by the disposal of assets. At least that one was captured. How many other losses have been incurred by this Community upon disposal of assets whose values have not been ascertained? You have disposal rates which are not in conformity with each other; we have assets still in use and we do not know whether they are junk or not! I think we have created a room in this EAC to flout all the rules that we have championed in our respective partner states.

The EAC is an inter-governmental institution; five governments have come together. This should reflect the coming together of best practices from the five partner states. Yet, to date we cannot even agree on a depreciation method; we cannot evaluate, for example, the value of the things that we have as EAC? So, when we dispose of them, how do we get the best value? It is robbery without violence. The EAC is being robbed left, right and centre. We have people who walk around this region saying they are members of the EAC when there is nothing they can show for it.

We have an Internal Auditor who has not done anything! Even if he is one, at least he should do something right that is worth the salary, surely. We cannot continue to allow EAC to be robbed because if we do so, then we are conspirators.

I wish to conclude by referring to paragraph 228 on page 16, under the deliverables that were not achieved in 2007/2008. Under capacity building there is the operationalisation of the development strategies and annual plans to develop the annual budget. Every year when the budget is read and this Assembly is tasked with the job of approving the budget, the issue of aligning the strategic plan to the annual plans is always a matter that we discuss. There was even money to build the capacity of staff to be able to ensure that the development strategy and our annual plans are in tandem, but that money was not used. Then we come here and say, there is no money! I think this is dishonest, and I want to say that if this is how we want to commemorate 10 years of the existence of the EAC, I do not know what we are celebrating. I hope next year the report of the Committee on Accounts shall at least make one of us stand here and say EAC is doing something good. I beg to support the Motion. *(Applause)*

Ms Margaret Zziwa (Uganda): Hon. Speaker, thank you very much for the opportunity. I also want to thank the Committee Chairperson for the good report. I want to add my voice to that of Members who have registered their concerns. I am a member of the Committee.

One of the greatest concerns the committee had was on the lack of a policy on land. You will appreciate that we do not have a land policy in the East African Community. If you go to page three, just before the recommendations, and I beg to read it for the benefit of hon. Kategaya, *"The Committee noted with appreciation the progress made by the team chaired by the DSG, F and A, but registered dissatisfaction with the lack of a policy on EAC land in all the partner states housing the EAC organs and institutions."*

Mr Speaker, we had a very long debate here. Considering that the EAC had been offered land for the construction of its headquarters, which is on course, it was noted with dismay that that land was not reflected anywhere in the books of accounts of the Community. One of the reasons given was that the land had not been valued. EAC did not even have the land title, leave alone what would be the ownership claim of the land. I think that is a very big problem - *(Interruption)*-

The Counsel to the Community (Mr Wilbert Kaahwa): On a point of information, Mr Speaker, may I inform hon. Zziwa that the EAC has a Certificate of Title in respect of the land where the EAC headquarters will be developed.

The Speaker: I think it is even mentioned in the report.

Ms Zziwa: I thank the hon. Counsel to the Community for that information. I think the records have to be put right because if you go to page 9, part of the recommendation there is on this land.

Mr Speaker, you will appreciate that currently the EAC is expanding. We have Lake Victoria Basin Commission in Kenya; we have the Inter-University Council of East Africa in Uganda, and there are other organs and institutions of the Community owning or being offered land in the other partner states. I think once bitten, twice shy. We will appreciate that never again shall this Community break up. I am glad, and we should congratulate ourselves, that we are celebrating 10 years but God forbid that Article 147, for instance, to ever occur.

I appreciate that Article 149 is in place to ensure that those properties given to the Community should remain as properties of the Community, and for that matter, I think it would be prudent that the Council of Ministers, together with the Secretariat, should work expeditiously to have a policy in place.

Hon. Kategaya continues to ask which policy - *(Interruption)*-

The Speaker: Hon. Zziwa, you are debating on the Floor of the House, not with hon. Kategaya. So, please, address the Chair.

Ms Zziwa: Thank you for the correction, hon. Speaker.

Mr Speaker, the second recommendation on page 9 of the report directs the Secretariat to secure land titles for all the land belonging to the East African Community and to develop a land policy that will govern all land housing EAC property in the EAC Partner States and submit the report to the Assembly - *(Interruption)*-

The Speaker: Hon. Members, before I allow any further points of information, I think hon. Zziwa listened to all of you when you were making your contributions and it would also be good for you to listen to her. That is directed at hon. Kidega and hon. Mulengani, to be specific. *(Interjection)*

Ms Byamukama: Mr Speaker, I just wanted to reinforce the point that hon. Zziwa has brought up and also to give a background and the premise upon which the statements which she is reading were made. This really emanates from Article 138(2) of the Treaty, which states that, *"The Secretary-General shall conclude with the governments of the partner states in whose territory the headquarters or offices of the Community shall be situated, agreements relating to the privileges and immunities to be* *recognised and granted in connection with the Community."*

So, the point we are making here is that we need to have these agreements in order to enable us to capture these as premises of the EAC, and I think that is a valid point. *(Interruption)*

The Speaker: Hon. Byamukama, I think you have already had the opportunity of debating. Please proceed with your speech, hon. Zziwa.

Ms Zziwa: Mr Speaker, I want to thank hon. Byamukama for the additional information. I think it is important that instead of going on the defensive, we should confront this issue because we grappled with this point during our committee meetings and we realised that this could be one of the reasons why even the value of the land was not reflected in the accounts of the EAC. I think that is a very valid observation, considering the fact that we are giving this as a recommendation to this Assembly. The Secretariat and the Council need to take it upon themselves, and very seriously, to ensure that at least among the policies to be put in place, the policy on land is included.

I appreciate that we may be having different land policies in our respective partner states. During the debate on the issue of the headquarters, the Committee was informed that one of the reasons why the value this land could not be reflected in the books of accounts was that the Secretariat had to seek advice from the Auditor-General of Tanzania to know whether this value could be posted in our books of accounts. Perhaps it would have been different in Uganda or Kenya, but I think this is the very reason why we are demanding a harmonised policy. The property of the Community in Uganda, Kenya, Tanzania, Rwanda or Burundi must have the same treatment; it must be governed on the same basis. The EAC is expanding, and we are envisaging more property to come under the ownership of the EAC. This is why we want a policy to be approved and also to be known by the partner states. Perhaps EAC property in the Partner States could be treated in the same way we treat embassies in our respective partner states. This is one of the reasons why we are calling upon the Council of Ministers to expedite a land policy so that it can give guidance to the EAC Secretariat on how to manage our properties in the respective partner states.

Mr Speaker, I am also concerned over paragraph 2.21. Some of the assets of the EAC were not covered in the audited accounts, and that is a very serious audit offence. At least this one has been pointed out. How many others were not covered? I think that should be the question. At least we were lucky that a few of these, particularly the intangible assets, were identified and pointed out.

I therefore call upon the Council of Ministers to come out and ensure that as we move into – perhaps the motion moved by hon. Bonaya in Burundi to have Ministers tasked with specific areas of supervision would help us here.

I also think this is very serious because we have been crying over this issue of the internal audit unit on the Floor of this House, listing areas where we see glaring deficiencies; areas where, for instance, there is no following of procedures. Since three years ago, we have been talking about the manuals and the anomaly of operating without them and nobody has been keen enough. We did not even have the opportunity to interact with the Secretary-General himself throughout the meetings of this Committee. So, you can see the seriousness of this matter, and I think this is why we think that if the Council of Ministers could come on board and take responsibility, things would move. Otherwise we feel frustrated. I want to raise it here that we feel frustrated in the Committee on Accounts. We have raised some of these issues over and over again.

The same applies to assets registers. I think this is one of the things that every organisation should cherish because that is what shows your worth; your value as an institution. But if many of the assets that we have are not reflected in the assets register, then that may be one of the reasons why some of us may be imagining that some of these assets can easily find a haemorrhage arrangement. Others have termed it "corruption". If we can not know where so much money is put; it is not there in the assets register, what more are we going to talk about? I think it is a very serious situation, and we need to protect the people of East Africa because they have a lot of confidence and hope in us. We have given them new hope that this time, this EAC will work. I think for that matter we need to pull all our efforts and work as a team to make sure that it works.

Mr Speaker, the lack of an investment policy – again it comes back to policy. When I was talking about the land policy, others were imagining that it was misplaced. There are no policies in place. I think it is the responsibility of the Secretariat to propose to the Council of Ministers to have policies in place. We do not have a transport policy in place. Every time we talk about it, they say it is in the making; that it would be in place by November. I think this is the magic Council of November. We are talking about the human resource policy not being in place; the investment policy; we do not have an IT policy; November, November! I think this is showing lack of seriousness on our part. But on the part of the Assembly, we have continuously pointed out these areas, and I think the onus is on the Council of Ministers. I am happy that the Council is represented here, so and they should take these issues seriously. I am happy, too, that they say that the IT policy has been drafted. But being drafted and remaining in a draft form for three years is also as good as being non-existent. *(Interruption)*

Mr Abdul Karim Harelimana (Rwanda): On a point of information, Mr Speaker, I think the biggest problem is not with the Council itself or the staff of the Community, but with the House. We have teeth but we do not use them!

Ms Zziwa: Mr Speaker, it looks like hon. Harelimana is seconding hon. Byamukama's proposal.

Moving to the issue of the activities in the EAC projects, we have a very serious task of ensuring that there is value for money for the programmes and projects which are being implemented by the EAC. The people out there want to see tangible programmes and projects.

Yesterday, we had the opportunity to visit Namanga border post, and as we drove on that road, we felt good that there is reconstruction work going on. Such activities and projects are what the people want to see. But when you look at this table on page 18 on the control and coordination of projects, you will find that many of these programmes are not tangible. I therefore wish to support the recommendation of the Committee. I think it is important that the Committee is accorded an opportunity to go out and visit these projects to ensure that they are in place.

I want to testify that when the committees move out, there is always an opportunity for an interface between the respective key players and stakeholders of the activities. Some of the challenges which are minute cannot even be dealt with ordinarily, but when we have the opportunity for interface, then they are able to see how some of those elementary challenges can be solved. We want to seek the opportunity for the committees to go to visit as many as possible of these projects about which the Deputy Secretary General in charge of Finance and Administration confessed that he may not be able to reach out to. I think by the Committee supplementing the work of the DSG (F and A), we would be able to have some of these projects expeditiously dealt with.

The trees which were cut down in Sironko - now you can see the report of MERCEP was given a disclaimer, the reason being that nobody had actually followed it up. These problems arose between departments of government. So, for that reason, I want to support the request that the Committee is budgeted for to be able to visit some of these projects which are indicated in the table on page 18, to see the implementation and other aspects like value for money.

With those remarks, I want to thank you, hon. Speaker, for the opportunity, and to congratulate the committee for this report, as well as plead with the Secretariat to take the recommendations of the Audit Commission very seriously. I support the Motion.

The Speaker: Hon. Members, this is a 46-page report, and I think you have not had the opportunity to go through it. So, I think it would be better to allow Members to look through this report so that you can debate better.

I would also like to say one thing. Being Members of EALA, we also have to be responsible in terms of the way we debate as well. I think the committee has produced a 46-page report which talks nothing of corruption, yet every Member who has spoken here is talking about corruption. I do not think you should portray the EAC as being a corrupt institution when there is no basis. I think a lot of the things the Committee has talked about are on policy and procedure to be followed to stop some of these things from happening. *(Applause)*

Hon. Members, I think the words some of you have used are big words, and a lot of people are listening to what you are saying. Most of the Members who have spoken here are members of the Committee on Accounts and they should also be more responsible. Maybe we should also give the other Members more time to read the report so that they can discuss what is in this report and not what they imagine.

Before I adjourn the House to allow Members to continue reading the report to better internalise its contents, I would like to say that, as I had said earlier, there is a lots system for choosing offices that is going on, and we would want the Members to go and occupy their offices, hopefully by tomorrow morning, or even this evening. So, if you could stay behind after adjournment so that the Sergeant-At-Arms may carry out the activity. In

EALA, we have a policy on who controls the assets of the Assembly and that is the Sergeant-At-Arms.

ADJOURNMENT

The Speaker: With those remarks, I would like to adjourn the House until tomorrow at 2.30 p.m.

(The House rose at 6.00 p.m. and adjourned until Wednesday, 11 November 2009 at 2.30 p.m.)