



## EAST AFRICAN COMMUNITY

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### EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

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

#### 7<sup>th</sup> SITTING – 3<sup>RD</sup> MEETING - FIRST SESSION – SECOND ASSEMBLY

**Tuesday, 11 September 2007**

*The East African Legislative Assembly met at 2.30 p.m. in the Chamber of the Assembly,  
Arusha*

#### PRAYER

*(The Speaker, Mr. Abdirahin in the Chair)*

*The Assembly was called to order.*

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#### COMMUNICATION FROM THE CHAIR

**The Speaker:** Hon. Members, I welcome you back to the House after the brief recess, and thank you for all the tremendous efforts you have put in the consideration of Bills and other reports before the Committees.

It is also with great pleasure that I announce to you that the East African Legislative Assembly was granted a sub-accounting status by the Secretary-General on the 5<sup>th</sup> of September, 2007 - (*Applause*). I would like to take this opportunity to thank the First Assembly, and in particular the Accounts Committee, for spearheading the struggle to attain what we shall be enjoying. I would also like to thank the current Accounts Committee for giving

the final push in this struggle. I commend the Secretary-General for exercising his power under the Treaty on financial rules and regulations in granting the East African Legislative Assembly a sub-accounting status – (*Applause*).

I would also like to thank the Chairperson, Council of Ministers, for the support he has given to the Assembly. I wrote to him concerning the sub-accounting status, and it was through his intervention that this was achieved - (*Applause*). I look forward to his continued support.

Finally, honourable Members, I would like to congratulate the hon. Justice Augustino Ramadhani on his appointment as the Chief Justice of the United Republic of Tanzania. I wish him

all the best in his new assignment –  
(*Applause*) - thank you.

### PAPER

The following Paper was laid on the Table: -  
by the Chairperson of the Committee on Accounts (hon. Nakuleu)

The Report of the audited financial statement of the East African Community for the year ended 30 June 2006.

### BILLS First Reading

**The Chairperson of the Council of Ministers (Mr. Kategaya) (Ex-Officio, Uganda):** Mr. Speaker, sir, I beg to move that the following Bills be read for the First Time:

East African Community  
Supplementary Appropriation Bill, 2007  
East African Community  
Appropriation Bill, 2007  
Lake Victoria Transport  
Management Bill, 2007  
Summit (Delegation of Powers  
and Functions) Bill, 2007

*Bills Read a First Time*

### BILL Second Reading

East African Community Supplementary  
Appropriation Bill, 2007

**The Chairperson of the Council of Ministers (Mr. Kategaya) (Ex-Officio, Uganda):** Mr. Speaker, sir, I beg to move that the East African Community

Supplementary Appropriation Bill, 2007 be read the Second Time.

**Counsel to the Community (Mr Wilbert T. Kaahwa):** Seconded

**The Chairperson of the Council of Ministers (Mr. Kategaya) (Ex-Officio, Uganda):** Mr. Speaker, sir, this is a short Bill, just legalizing what we authorized when we met in Kampala. There is only one schedule, which shows the items under which we are authorizing the supplementary estimates. One is a sum of US\$1,157,609 in regard of the increased salaries and allowances of the staff of the Secretariat, the East African Legislative Assembly, the East African Court of Justice and the Lake Basin Commission. This is according to the decision of the Council taken at the 12<sup>th</sup> Meeting held on 25<sup>th</sup> August, 2006.

The second item is a figure of US\$240,000 regarding the fast-tracking of the political federation. This was in accordance with the decision of the Council taken at its 12<sup>th</sup> Extra-ordinary Meeting held on 8<sup>th</sup> December, 2006.

The third item is a figure of US\$53,045. This was to direct some experts to classify hotels in the region. The other figure is US\$161,000. This was in regard of expenses incurred in trying to make an East African Community anthem.

Lastly, there is the figure of US\$400,000 with regard to expenses of the Railways Master Plan. The total figure is US\$2,013,654. Mr Speaker, sir, I beg to move.

*(Question proposed)*  
*(Question put and agreed to)*

*Bill read a Second Time*

**The Speaker:** Honourable Members, we will discuss the second reading of the two Bills together and then proceed to the Committee stage for both Bills.

**BILLS**  
**Second Reading**

The East African Community  
Appropriation Bill, 2007

**The Chairperson of the Council of Ministers (Mr. Kategaya) (Ex-Officio, Uganda):** Mr. Speaker, sir, I beg to move that the East African Community Appropriation Bill, 2007 be read the Second Time.

**Counsel to the Community (Mr Wilbert T. Kaahwa):** seconded

**The Chairperson of the Council of Ministers (Mr. Kategaya) (Ex-Officio, Uganda):** Mr. Speaker, as you have explained ... the hon. Speaker and the Clerk thought we could handle these two bills together at the second reading so that we do not make our honourable Speaker go up and down, to and from his big "throne".

Mr. Speaker, sir, this Bill, again, is a short one, also legalizing what we passed in Kampala when we met and passed the Budget. There is only one schedule, and there are only four items given separate figures, namely: the East African Community Secretariat, which is supposed to take US\$ 16,730,141; the second one is the East African Legislative Assembly - this august House - which is supposed to get US\$6,419,563. The third one is the East African Court of Justice, which is to get

US\$2,305,336. The fourth one is the Lake Victoria Basin Commission, which is to get US\$2,858,519. The total figure is US\$28,313,559.

Mr Speaker, as I said earlier, we passed these figures in Kampala in our budget, and this Bill is only trying to give it legal force.

Mr Speaker, following on what you said, when I looked at this breakdown of the budget, I did not see any reason why we should not have these organs and institutions of the East African Community self-accounting status. I am glad the East African Legislative Assembly has been authorised to look after its money, since you have an accountant and people to handle the money. Similarly, Mr Speaker, I would suggest that even the East African Court of Justice should have the same arrangement - *(Applause)* - because when I met them - I am sorry to say so - I was surprised that they have to get for permission for such small things as travel, and buying pencils and that type of thing. So since their money is clearly marked out, I suggest that they should also have the same arrangement as you have in terms of accounting. I thank you Mr Speaker - *(Applause)*.

*(Question proposed)*  
*(Question put and agreed to)*  
*Bill read a Second Time*

**THE ASSEMBLY IN COMMITTEE***(The Hon. Abdirahin Abdi in the Chair)***BILL**  
**Committee Stage**The East African Community  
Supplementary Appropriation Bill, 2007

Clause 1

*(Question Proposed)*

**Mr. Lwanyantika F. Masha (Tanzania):** Thanks for the opportunity to say something, hon. Speaker. I would have said it in the debate but I did not want to open up matters. However, in that paragraph one we read that it comes into effect on the first day of July, 2007. I just wanted to have an assurance from...I suppose the hon. Minister, that this kind of thing will not happen again – *(interjections)*. I realize he mentioned that we are legalizing something which was passed, which has an insinuation of something that has not been legal until now – *(Laughter)*. Can we have assurances that this will not happen in the future? I thank you, Mr Speaker.

**The Chairperson Council of Ministers (Mr. Kategaya):** Mr. Speaker, sir, of course in Kampala, I promised that this type of ...what I call “untidy work” – *(Laughter)* - will not be repeated. But if you wanted to be very strict, we can say “...shall be deemed to have...” *(Interjections)* If you want you can you can amend it to say “shall be deemed to have to have come into force on the 1<sup>st</sup> day of July 2007.” We can have that

amendment, Mr Speaker; I have no problem with it.

*(Question of the amendment proposed)*  
*(Question on the amendment put and agreed to)*

*Clause 1, as amended, agreed to*  
*Clause 2, agreed to.*  
*Schedule, agreed to.*  
*Title, agreed to.*

**BILL**  
**Committee Stage**The East African Community  
Appropriation Bill, 2007

Clause 1

*(Question on the Clause proposed)*

**The Chairperson Council of Ministers (Mr. Kategaya):** Mr Speaker, sir, I think Clause 1 should be amended to be in line with the Supplementary Appropriation Bill to say “...shall be deemed to have come into force on 1<sup>st</sup> July 2007.”

*(Question on the amendment proposed)*

*Clause 1, as amended, agreed to.*  
*Clause 2, agreed to.*  
*Clause 3, agreed to.*  
*Clause 4, agreed to.*  
*Schedule, agreed to.*  
*Title, agreed to.*

**The Chairperson Council of Ministers (Mr. Kategaya):** Mr. Chairman, sir, I beg to move that the House do resume and the Committee of the Whole House reports thereto.

*(Question put and agreed to)*

*(The House resumed, the Speaker presiding)*

**BILL**  
**Report Stage**

The East African Community  
Supplementary Appropriation Bill, 2007;  
The East African Community  
Appropriation Bill, 2007

**The Chairperson Council of Ministers (Mr. Kategaya):** Mr. Speaker, sir, I beg to report that the Committee of the Whole House has considered the Bills entitled the *East African Community Supplementary Appropriation Bill, 2007* and the *East African Community Appropriation Bill, 2007* and passed them with amendments.

**MOTION**

**Adoption of the Report from the Committee of the Whole House**

**The Chairperson Council of Ministers (Mr. Kategaya):** Mr. Speaker, sir, I beg to move that the report of the Committee of the Whole House be adopted.

*(Question proposed)*  
*(Question put and agreed to)*

**BILL**  
**Third Reading**

The East African Community  
Supplementary Appropriation Bill

**The Chairperson Council of Ministers (Mr. Kategaya):** Mr. Speaker, sir, I beg to move that a Bill entitled the "*East African Supplementary Appropriation Bill, 2007*", be read a Third Time and do pass.

**The Counsel to the Community (Mr. Wilbert T. Kaahwa):** Seconded.

*(Question proposed)*  
*(Question put and agreed to)*

*Bill read a Third Time.*

**BILL**  
**Third Reading**

The East African Community  
Appropriation Bill, 2007

**The Chairperson Council of Ministers (Mr. Kategaya):** Mr. Speaker, sir, I beg to move that the "*East African Community Appropriation Bill, 2007*" be read a Third Time and do pass.

**The Counsel to the Community (Mr. Wilbert T. Kaahwa):** Seconded.

*Bill read a Third Time.*

**MOTION**

**FOR CONSIDERATION AND ADOPTION OF REPORT OF THE COMMITTEE ON ACCOUNTS ON THE AUDITED FINANCIAL STATEMENT OF THE EAST AFRICAN COMMUNITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2006**

**Mr. Christopher Nakuleu (Kenya):** Mr. Speaker, sir, I beg to move that this Assembly, pursuant to the provisions of Article 49(2) (c) of the Treaty, and Rule 79 (1) (h) of the Rules of Procedure of this House, do consider and adopt the Report of the Committee on Accounts on the audited financial statement of the East African Community for the financial year ended 30<sup>th</sup> June, 2006.

Mr Speaker, sir, Article 49(2)(c) and 134(3) of the Treaty for the Establishment of the East African Community requires the Assembly to consider the report of the Audit Commission on the audited accounts of the East African Community, and to make such recommendations and any other course of action that the Assembly may deem necessary.

Mr. Speaker, under the provisions of Article 49(2)(e) of the Treaty, the Assembly is conferred upon powers and authority to form Committees for the efficient discharge of its functions. One of the Committees established by the Assembly is the Committee on Accounts, whose main function is to carry out a post-audit review and scrutiny of expenditure incurred by the East African Community on the sums appropriated and approved by the Assembly in the annual budget of the East African Community.

Pursuant to the provisions of Article 134(3) of the Treaty, the report of the Audit Commission was laid before the Assembly on 20 June 2007 by the Chairperson of the Council of Ministers. The report was subsequently referred to the Committee for consideration. It is in this regard that the Committee convened from 3<sup>rd</sup> to 7<sup>th</sup> September, 2007 to examine the report of the Audit Commission on the accounts of the East African Community for the year ended 30 June 2006.

This report, therefore, covers a review of the status of implementation of the previous recommendations of the Assembly, a review of the above said report of the Audit Commission, and the recommendations of the Committee for

adoption by the Assembly on the desired course of action that is deemed necessary.

In the methodology to pursue that, the Committee sought to satisfy itself whether the monies appropriated by the Assembly were expended and applied for their intended objectives and in conformity with East African Community financial rules and regulations and any other directives of the Council or the Assembly. As on previous occasions, the Committee invited the Audit Commission and the Secretary-General, in his capacity as the Accounting Officer, to assist the Committee to clarify on the issues that were raised in the audit reports.

Mr Speaker, on review of the status of implementation of previous recommendations /directives of the Assembly for the year ended 30<sup>th</sup> June 2005, under the East African Community Transport Policy, the Assembly had, in its report, expressed concern that there was lack of a transport policy at the East African Community to regulate use of official vehicles, especially by those entitled to fulltime chauffeur-driven vehicles.

The matter had arisen from the fact that on many occasions officials entitled to the full time chauffeur-driven vehicles would, while on duty within East Africa, ensure that their vehicles followed them wherever they went, notwithstanding the fact that the officials would travel by air to those destinations. The Assembly had recommended that the Secretariat should undertake a study to establish whether there were no cheaper options, and the Secretary General undertook to put the request for the study to Council.

The Secretary General reported that owing to other pressing issues during the year, the Secretariat was not able to put this particular request to Council. The Secretary General made an assurance that he would be able to bring the matter before Council by the end of December 2007.

The Committee recommends that the Assembly should take note of the Secretary General's undertaking.

On funding of the Community, Mr Speaker, the Assembly had noted with concern the matter of delayed remittances to the East African Community by the Partner States. The delay by the Partner States in meeting their financial obligations to the Community had affected the smooth operations of the Community. As a result, the Assembly had recommended the necessity to impose a prohibitive surcharge on all late remittances.

Mr. Speaker, sir, the Secretary General had also expressed scepticism as to whether the imposition of surcharges was the best option in the circumstances, since late remittances notwithstanding, the Partner States did eventually pay up. The Secretary-General, however, conceded that the issue of late remittances had been a dysfunctional matter to the operations of the Committee. He informed the Committee that the issues of late remittances by Partner States were not unique to the East African Community and that in fact all inter-governmental organizations to which Partner States belong faced similar challenges, but none of them had ever imposed surcharges as a solution. The Secretary General also reported that

he had nevertheless placed the Assembly's concern to Council, and that in the Council meeting of June, 2007 in Kampala, Council had decided that for the future, Partner States would pay up all their obligations to the East African Community within the first six months of the Financial Year, that is, by 31<sup>st</sup> December.

The Secretary General therefore implored the Assembly to applaud this positive development, moreover, in the year 2006/07 all Partner States had fully met their financial obligations by the close of the financial year.

The Committee recommends that the Assembly should take note of this and commend the Council for this positive and bold decision. Two, the Committee also recommends that the Assembly should request the Secretary-General to undertake a duty to identify what mechanism the East African Community can adopt in case a Partner State did not pay up on time, and also to urge the Council to adopt institutional mechanisms that would stipulate the course of action in case a Partner State did not pay up on time.

Sources of funds to the Community: Mr Speaker, the Committee had, in the year 2004, recommended that East African Community should, as the integration process deepened, explore alternative sources of funding for the Community. The Secretary-General reported that the Secretariat had put before Council proposals for alternative sources of funding to the Community and that a decision was yet to be taken. He also reported that since then, the Partner States had so far decided to continue with equal contributions as the main

source of funding to the Community. In addition, Partner States had also endorsed the establishment of an East African Community Development Fund along the structure and framework that exists in COMESA (Common Market for East and Southern Africa). The implications of this decision were that Partner States, together with development partners, would make extra-budgetary allocations to this fund.

The Secretary-General undertook to provide the Assembly with the report on the operations of this fund and the new guidelines on the float fund when two had been finalized.

The Committee recommends that the Assembly should take note of this positive development and urges the Council to continue to explore new sources of funding for the Community.

On monitoring and evaluation of projects, Mr Speaker, the Audit Commission had reported that the Secretariat did not have mechanisms in place for evaluating the impacts and outcomes of the projects and programmes it initiated. As such, it was noted that the evaluation of the Secretariat's own performance was rather difficult. The Audit Commission had also reported that the Secretariat was not submitting regular project performance reports under its contractual requirements with the development partners, namely the GTZ and the Finnish Funds.

Arising out of the Audit report, the Assembly made certain recommendations, and during a review of the year 2005, the Secretary-General reported on each recommendation.

During the review of the current audit report, the Secretary-General reported as follows, that:

(a) With regard to Monitoring and Evaluation of projects, the office of planning and monitoring and evaluation had been established and was fully functional. The required reports were being made and the evaluation of project performance would now be undertaken as regularly as it should be. In addition, the Secretariat had developed a new format for the East African Community annual report with effect from the 2006/2007 financial year. This report would, henceforth give a more elaborate assessment of project performance and activities of all organs of the Community. This report would be tabled annually before the Assembly by the Council.

(b) On the directive that all donor financing agreements of the Community should be concluded only after the approval of the Assembly, the Secretary-General reported that the recommendation was found to be untenable. Much as the Secretary-General did not put the matter before the Council, he said he was aware that the Council position was that, just as the practice was in the Partner States, conclusion of financing agreements with development partners was an executive function. The Assembly was however at liberty to demand that the signed agreements should be submitted to the House.

(c) On the question of numerous accounts being run by the East African Community, the Secretary-General reported that with the introduction of the Partnership Fund with the development



partners, the number of accounts had been reduced. He reported that of the existing 31 accounts, only 10 were active and the rest were mere collections accounts. He further stated that however, not all development partners had agreed to join the partnership fund. A number of them had insisted on bilateral cooperation with the East African Community, and as such, separate accounts had to be held in such circumstances. Moreover, a project accountant specifically for project accounts had been recruited. The Secretary General hoped that this development should generally assist to bring about more improvements in the area of management of donor funded projects.

The Committee recommends that the Assembly should take note of the Secretary General's report.

Mr Speaker, on auditing of projects, the Audit Commission informed the Committee that in the course of the last audit assignment, they were able to audit some projects. The report of the audit findings was submitted to management. The Committee, however, noted that this particular report was not submitted to the Assembly, and therefore recommends that the Assembly should demand that the audit report on the East African Community projects should be tabled before the Assembly within the next three months.

Mr Speaker, on sub – accounting powers to other organs of the Community, as reported earlier, in their report for the Year 2002, the Audit Commission had recommended that the Secretary-General ought to delegate some sub-accounting powers to the Clerk of the Assembly and

the Registrar of the Court, respectively. The Assembly concurred with this recommendation on the strength that in light of the cardinal principle of separation of powers, and with the continuing expansion of the Community, the Secretary-General would not be able to handle the day to day administrative demands of these organs effectively. The Secretary-General then undertook to implement this directive as soon as the two organs had recruited sufficient personnel, qualified and ranked high enough to be entrusted with the management of financial matters.

During the review of the current audit report, the Secretary-General reported that following the recruitment of the required personnel by the two organs, he had, with effect from September 2007 - but the date is not given here - issued an instrument of delegation of powers to the Clerk and the Registrar, respectively – (*Applause*).

The Committee recommends that the Assembly should take note of this development and commend the Secretary-General for honouring the undertaking.

Mr Speaker, on the construction of the East African Community headquarters, the issue of the delay in the construction of the headquarters had been raised by the Audit Commission since the year 2004. The concern of the Audit Commission and that of the Assembly had been that delay in the construction of the building meant that East African Community would continue to incur huge expenses on renting premises for its offices. The Secretary-General then reported that the delay had been occasioned by the fact that there had not

been any firm commitment of funds from the German Government, which had agreed to fund the project.

During the review of the year 2005 report, the Secretary-General reported that he had received firm commitment from the German Government and therefore a new road map was being worked out by all the stakeholders, and that in any case the construction would begin in June/July 2007.

During the review of the current Audit report, it was noted that the construction of the building had again delayed, and the Secretary-General reported that the new delay in the construction had been occasioned by the realization that the original architectural drawings did not take into account the likely expansion of the East African Community. The new realities were that the numbers at the East African Legislative Assembly and at the East African Court of Justice, for instance, had multiplied significantly following the admission of two new Partner States, and the amendments to the Treaty creating two divisions of the East African Court of Justice.

However, the Secretary-General reported that new architectural drawings had already been finalised, and that as expected, the cost had increased from an original estimate of Euros 8 million to Euros 13 million. He further reported that negotiations were on-going with the German Government on whether they were in a position to meet the additional cost. In the event that they were unable, the Secretary-General reported that he had notified the Partner States to be ready to meet the difference.

The Committee was assured by the Secretary-General that the actual construction of the building should begin by March, 2008 as the rest of the requirements for the projects were in place.

The Committee recommends that the Assembly should take note of this new development but urge all concerned parties to treat the construction of the headquarters as a priority.

Mr Speaker, under the Audit findings for the financial year ended 30<sup>th</sup> June, 2006, and on the audit inspection of the Research Vessel *RV Jumuiya*, the Audit Commission had reported that with funds from DFID, the East African Community received a research vessel for use in the Lake Victoria towards the improvement of safety of navigation, research, educational and related activities.

The vessel, which was in Malawi, had to be transported by road to Mwanza whereby roach charges amounting to Tshs.1, 447,000 were incurred. The East African Community had not yet settled this amount to the Tanzania Road Agency (TAN ROADS). This contingent liability had not been disclosed in the Lake Victoria Basin Commission financial statements, nor was the vessel recorded in the assets register. The Audit Commission further reported that moreover, although the vessel was handed over to the East African Community on 29 May 2006, to date, it had not yet acquired seaworthiness certificate due to lack of all the required safety and navigation equipment. As such, the vessel was not yet insured.

The audit Commission had recommended that management should ensure that the vessel is insured before it commences its activities; that it should be registered with the Lake Victoria Basin Commission asset register; that the value of the vessel should also be reflected in the Commission financial statements, and that the issue of the road toll costs be ironed out with the concerned offices.

The Secretary-General reported as follows, that:

(i) On the question of incurred road toll costs, East African Community had written to Tanzanian authorities reminding them of the privileges and immunities that the East African Community as an international organization enjoyed. These privileges included exemption from payment of road toll by or for its vehicles. He further reported that the issue, and others such as VAT refunds, was yet to be ironed out but that there was sustained follow up on the matter at a very high level.

(ii) The vessel was not yet operational and, therefore, there were no safety concerns for users and for the vessel itself. He said that if the vessel was seen moving within the lake, that it was merely doing navigation trial runs in the shallow ends of the lake, and that in any case Tanzania maritime authorities could not allow the vessel to operate without the seaworthiness certificate.

(iii) The insurance of the vessel would be done only after it had received a seaworthiness certificate. The seaworthiness certificate would be given only after the vessel was retooled with new equipment. The delay in retooling

the vessel was occasioned by the delay in securing funds from the French government.

Mr. Speaker, the Committee recommends that the Assembly should commend DFID and the French Government for extending this critical support to the East African Community. Secondly, the Committee recommends that the Assembly should urge the Secretary-General to ensure that within this financial year the vessel is insured, recorded in the assets register, and is valued and included in the financial statement.

With respect to the debt to TANROADS, the Committee recommends that management should continue to pursue the matter with the relevant authorities.

Mr Speaker, on the review of the SUN Accounting System, the Audit Commission had reported that the Community operates the computerized accounting system SUN. However, there was no evidence that the system was adequate and reliable as no post system implementation audit had been carried out. Moreover, the review further revealed that the Community did not have an information systems control and security policy and strategy. As result of this lack of IT security policy, the whole computer system was at risk should there be a system collapse and loss of data.

The Secretary-General reported that the original version of the system (4.7), which was installed by a splinter group from the bona fide licence holders for the system, had been found inadequate. Experts had, therefore, advised that the system should be upgraded to SUN

Accounting System 5.2. This upgrading had been completed and a consultant from the original licence holders had made a “walk through” trial of the system and found the new version to be adequate.

With regard to the development of a system control and security policy and strategy, the Secretary-General reported that a framework was being developed and would be in place by December, 2007.

The Committee took note of the Secretary-General’s explanations, recommend to the Assembly to direct as follows, that:

- (i) The management should quantify the extent of loss to the East African Community arising out of anomalies in this contract and submit the report to the Assembly by 31 December 2007.
- (ii) The management should assign responsibility and take action against those that were responsible for this anomaly.
- (iii) In future, acquisition of such crucial IT Systems should be based on a clear IT policy and procurement guidelines.

Mr Speaker, on the review of internal control systems, the Audit Commission had, for the second year running expressed concern that the internal audit unit was not adequately staffed. The only officer in place therefore had no capacity to effectively undertake the internal audit assignment of all the three organs of the Community, let alone the projects. A recommendation had also been made to establish an Audit

Committee to assist in strengthening the internal audit function.

The Secretary-General then had reported that the new organizational structure that had been approved had a provision for three internal auditors, and that when all the three were in post, it was expected that the situation would improve. However, during the current review, the Secretary-General reported that he had been constrained by the Council on the advice of the Finance and Administration Committee from recruiting the required number of officers. The Council approved recruitment of only one audit assistant, which, to me, was not adequate. But, the Secretary-General further reported that he was in the process of instituting the following measures in a bid to strengthen the internal control systems as follows:

(a) Management will, by December 2007, establish an Audit Committee. This Committee will be composed of people internal to the organization as opposed to the recommendation of the consultant who had wanted its composition to include people external to the East African Community.

(b) As a means of achieving overall improvements in the internal control system, he had embarked on the process of hiring consultants to develop an accounting manual, an audit manual, procurement manual, as well as a corporate governance policy for the East African Community. The Secretary-General considered these as some of the very critical instruments that were necessary in ensuring a robust internal control accounting system but were

currently lacking at the East African Community.

The Committee recommends that the Assembly should take note of the Secretary-Generals' report, take up the matter of recruitment in the internal audit unit directly with the Council and do request the Secretary-General to ensure that a fully functional internal control system is put in place as a matter of urgency.

Mr Speaker, on outstanding claims, deposits and pre-payments, the Audit Commission had reported that a total of US\$ 599,011 related to VAT claims, deposits and pre-payments to suppliers was outstanding.

The Secretary General reported that amounts in respect of advance for purchases, housing allowance advances to staff or other forms of staff advances were running accounts which were cleared on a continuous basis, and that they would be cleared within the following financial year. He reported that advance payments for purchases were made because of the insistence by some suppliers of a down-payment of a certain percentage of the price before delivery of goods or services.

The Committee was concerned about the practice of making advance payments to suppliers, and observed that the East African Community stood a great risk should the suppliers fail to deliver, especially if there were no performance guarantees embodied in the contracts.

With regard to VAT claims, the Secretary-General reported that he had found this exercise extremely difficult as Tanzania Revenue Authority had refused

to co-operate, notwithstanding the fact that they were aware that the East African Community is exempted from paying taxes.

The Committee noted with concern that a government institution like the Tanzania Revenue Authority could blatantly refuse to honour and respect the international conventions and obligations entered into by its government. The Committee further noted the inability to claim back VAT payments seriously undermined the operations of the Community as it tied up funds that were budgeted for different purposes.

The committee recommends that the Assembly should urge the Council to pursue the issue of the privileges and immunities of the East African Community, and that Council should also direct the management to establish proper procurement guidelines in line with best practices and principles that govern procurement of public assets and services.

On exchange rate differentials and un-reconciled inventories, Mr Speaker, the Audit Commission had reported that a review of the East African Legislative Assembly bank reconciliation statements as at June 30<sup>th</sup>, 2006 of the local bank account revealed a cash balance of US\$ 2,373.42 at the exchange rate of Tsh.1,215/1US\$. However, the financial statements disclosed US\$ 6,164 to be cash book balance, resulting in a difference of US\$ 3,790.57. This difference had not been adequately and separately disclosed in the financial statements.

The Secretary General reported that the figures had now been reconciled and assured the Committee that this anomaly would not occur again in the future as the upgraded SUN system accounting package would automatically reconcile all these figures.

The Committee recommends that the Assembly should take note of these positive developments but await confirmation by the Audit Commission.

Mr Speaker, sir, on the survey report on verification of cash, stores and assets, the Audit Commission reported that they had reviewed the report of a board of survey (appointed by the Secretary General from among the staff of the Community) which showed a lot of inadequacies related to control of stores. Requisitions from the stores were in some instances made out without authority. Moreover, obsolete items like computers, consumables, toner for photocopiers and fax toner cartridges, all valued at about (US\$ 7000) which were recommended to be disposed of had not yet been sold. This excludes two non-operational photocopiers (which are more than 5 years old) that also still lie idle in the store. Moreover, the production room that also serves as an office for the production staff was not air conditioned, making it unsafe for both the machines and the staff.

Mr Speaker, the Secretary General reported that indeed it was an internal board of survey that reported to him these deficiencies in the management of stores. Nonetheless, the Secretary-General informed the Committee that he had taken the following actions:

(i) A number of auctioneers had now been appointed by the East African Community, and through them all items earmarked for disposing of would soon be sold;

(ii) Measures had been instituted to ensure that no requisitions from stores could be made without authority;

(iii) Authority for immediate purchase of air conditioners for the production room has been issued;

(iv) The whole question of strengthening the internal control systems was being addressed with the development of the accounting manual, the auditing manual, the procurement manual and the corporate governance policy, which should be in place by the end of the financial year.

The Committee recommends that the Assembly should take note of the corrective actions that are envisaged to be undertaken by management. The Committee also requests the Secretary-General to submit a report to the Assembly on measures to be taken before the end of the year.

On over-expenditure, the Audit Commission reported that a sum of US\$21,299 was incurred in excess of the annual budget for the purchase of furniture and motor vehicles. The Secretary-General reported that the expenditure of US\$18,000 was in respect of furniture allowances for the new Secretary-General, which was inadvertently omitted during the budgeting process – (*Interjection*).

The over-expenditure of US\$3,299 arose out of Dollar/Euro fluctuations in the process of purchasing a new motor vehicle, which was invoiced in Euros.

The Committee noted with concern that under the MTEF budgetary framework an omission of this magnitude could have been made. The Committee further noted that within the East African Community Financial Rules and Regulations there were elaborate procedures for re-allocation of funds whenever the need arose, so the Committee could not comprehend why these procedures had not been adhered to.

The Committee therefore recommends that the Assembly should direct management to ensure that in future, necessary financial regulations should be adhered to, failure of which would attract punitive action.

Mr Speaker, on the scope of audit, the Committee noted that the current audit assignment done at the East African Community was restricted only to a financial audit; the question of whether the value for money was achieved does not form the basis of the current audit assignment.

The Committee was of the view that in light of the growing mandate of the Community, the increasingly substantial resources being committed to the East African Community projects and programmes, and for purposes of benchmarking the current and best practices of auditing, the Audit Commission should consider the need to re-focus its audit assignment at the East African Community.

The audit should also go beyond examination of accounts in compliance with the financial regulations, but also check whether efficiency, effectiveness and prudent use of resources in relation to the intended objectives were achieved.

The Audit Commission concurred with the Committee on the current shortcomings in their audit. The Committee was informed that reasons for these shortcomings arose out of the costs and time involved of auditing the East African Community. The costs are incurred by each audit office and as such, they are only able to dedicate to the East African Community those resources, personnel and time within their obligations within the Partner States. For any improvement to be realized, this scenario must be radically reversed.

In light of these constraints faced by the Audit Commission, the Committee recommends to the Assembly to recommend to the Council to ensure that the cost of audit at the East African Community is embedded within the East African Community budget; secondly, to urge the Audit Commission to institutionalize the practice of periodic audit; thirdly, to urge the Audit Commission to ensure that in future all audit reports have an accompanying section that assesses the performance of the Community in relation to the planned activities, the budget and whether or not the objectives were met.

Mr Speaker, in conclusion, the Committee wishes to extend its appreciation to the following persons and institutions that enabled the Committee to successfully execute its mandate: One, the Audit Commission

for fulfilling their obligations pursuant to the provisions of Article 134 of the Treaty by producing and submitting the report under review, and the Secretary-General and his team for availing themselves to clarify on issues raised in the report.

Finally, on the basis of the opinion of the Audit Commission, the Committee compliments the Secretary-General for once again ensuring that proper books of accounts were kept and that the financial statement gives a true picture of the state of affairs of the Community as at 30<sup>th</sup> June, 2006, and in compliance with the relevant provisions of the Treaty.

Mr. Speaker, I beg to move –  
(*Applause*).

**Ms. Margaret Nantongo Zziwa (Uganda):** Mr. Speaker, I rise to second the Motion for the presentation of the report of the Committee on Accounts on the audited financial statement of the East African Community for the year ended 30 June 2006.

Mr. Speaker, sir, the Committee discharged this mandate under our rules of procedure, Rule 79 and Annex 5(a), parts 1 and 5, and drawing from Articles 49(2) and 134 of the Treaty.

I wish, Mr Speaker, sir, to express the Committee's appreciation to the Secretary-General and his team for appearing before the Committee in person and to answer the queries raised by the Audit Commission and the concerns of the Committee. Specifically because the Secretary-General has been in poor health, but he was able to come to the Committee in person and the Committee appreciates his presence. Let

me assure the House that his personal presence led to solving some of the serious impending decisions, like, as you rightly mentioned, the issue of delegation of self-accounting powers to the East African Legislative Assembly and the East African Court of Justice, which had been pending for some time now. We applaud the Secretary-General for this gesture.

Mr. Speaker, I want also want to say that many areas which were requiring action were actually attended to. As you may have observed, in our report we were able to give realistic time frames for action. This is in accordance with the observation which was made under the East African Community Development Strategy, 2006-2010. It was observed that many of the actions lacked time frame. That is why implementation was inadequate in many respects. So now at least we have been able to attach realistic time frames, which have been given in various recommendations in our report, and this was agreed upon with the Secretary General.

We also commend the Audit Commission for the detailed audit and good observation on the report. The Committee in its work plan will seek opportunity to interact with the Audit Commission, specifically with the Auditors-General of the Partner States to improve the discharge of this important task.

The issues that were emphatic to the Committee have been highlighted by the report, but I just want to add that the issue of strengthening the staffing and capacity of the internal audit department is very crucial. The issue of improving the internal control procedures of the



Secretariat was also important. Our appeal goes to the Council of Ministers to support this area of enabling the recruitment of the relevant staff for the internal audit. This will enhance the accountability function of the East African Community and also address the issues of value for money for the programmes which are meant for the betterment of the peoples of East Africa. Mr. Speaker, sir, I beg to second – *(Applause)*.

### ADJOURNMENT

**The Speaker:** Honourable Members, so that you may better read the report and understand it, we will adjourn the House until tomorrow at 2.30 p.m.

*(The House rose at 3.40 p.m. and adjourned until Wednesday, 12 September 2007 at 2.30 p.m.)*