



**EAST AFRICAN COMMUNITY  
EAST AFRICAN LEGISLATIVE ASSEMBLY**

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**REPORT OF THE COMMITTEE ON ACCOUNTS  
ON THE AUDITED ACCOUNTS OF THE EAST AFRICAN COMMUNITY  
FOR THE FINANCIAL YEAR ENDED 30<sup>th</sup> JUNE, 2023**

**(17<sup>th</sup> - 31<sup>st</sup> October 2025, Arusha-Tanzania)**

Clerk's Chambers  
3<sup>rd</sup> Floor, EALA Wing  
EAC Headquarters' Building  
Arusha, TANZANIA

December 2025

## LIST OF ABBREVIATIONS AND ACRONYMS

<b>ACH</b>	Automated Clearing House
<b>ACEII</b>	Eastern and Southern Africa Higher Education Centers of Excellence Project
<b>AfDB</b>	African Development Bank
<b>AICC</b>	Arusha International Conference Centre
<b>ARIN</b>	Africa Research and Impact Network
<b>BCP</b>	Business Continuity Planning
<b>BMS</b>	Budget Management Systems
<b>CAM</b>	Centre for Aviation and Medicine
<b>CASSOA</b>	Civil Aviation Safety and Security Oversight Agency
<b>CMRS</b>	Case Management and Registration System
<b>CPI</b>	Central of Payment Incident
<b>DRS</b>	Disaster Recovery Site
<b>EAC</b>	East African Community
<b>EAC/StatDHRP</b>	East African Community Statistics Development and Harmonization Regional Project
<b>EACA</b>	East African Competition Authority
<b>EACJ</b>	East African Court of Justice
<b>EACS</b>	East African Community Secretariat
<b>EADB</b>	East African Development Bank
<b>EAKC</b>	East African Kiswahili Commission
<b>EAHRC</b>	East African Health Research Commission
<b>EALA</b>	East African Legislative Assembly
<b>EAPS</b>	East African Payments System
<b>EARSforR</b>	Eastern Africa Regional Statistics Programme for Results Project

<b>EASTECO</b>	East African Science and Technology Commission
<b>EASTRIP</b>	East Africa Skills Transformation and Regional Integration Project
<b>ECCAIRS</b>	European Co-ordination Centre for Accident and Incident Reporting Systems
<b>HICP</b>	Harmonised Index of Consumer Prices
<b>IISA</b>	International Institute for Applied Systems Analysis
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IUCEA</b>	Inter University Council of East Africa
<b>LPO</b>	Local Purchase Order
<b>LVBC</b>	Lake Victoria Basin Commission
<b>LVFO</b>	Lake Victoria Fisheries Organization
<b>MLVMCT</b>	Multinational Lake Victoria Maritime Communication and Transport Project
<b>NSOs</b>	National Statistical Offices
<b>PMT</b>	Project Management Team
<b>PPE</b>	Property, Plant and Equipment
<b>PSC</b>	Project Steering Committee
<b>PSSIP</b>	Payment and Settlement System Integration Project
<b>RTGS</b>	Real Time Gross Settlement Systems
<b>SLAs</b>	Service Level Agreements
<b>SOFIA</b>	Safety Oversight Facilitated Integrated Application
<b>TRA</b>	Tanzania Revenue Authority
<b>USD</b>	United States Dollars
<b>VAT</b>	Value Added Tax

## **Executive Summary**

Hon. Speaker Sir,

During the review and consideration of the Audit Commission Report on the Financial Statements of the East African Community (EAC) Organs and Institutions for the year ended 30<sup>th</sup> June 2023, issues presented were examined and recommendations were proposed. The Community had a budget of **USD 115,741,802** and the actual expenditure was **USD 77,741,995**, hence an overall budget performance of **67%**.

On the whole, EAC Organs, Institutions, Projects and Programmes continue to face challenges of low budget absorption due to delayed or non-remittance of funds. This calls for proper budgetary planning, coherence and consistency in the budgeting process. It is imperative that the EAC puts in place an EAC Single Projects Coordination Unit to ensure proper management of the growing EAC Projects and Programmes.

Coupled with that, it's critical that the EAC puts in place an annual appraisal forum involving all the Institutions, Organs and the Council to evaluate itself on the performance of its programmes and activities. The follow-up process will be a great opportunity for the Institutions and Organs to review the progress being made in the implementation of the integration agenda of the EAC.

The key audit findings highlighted in the report include; irregularities in the procurement processes; absence of strategic plans and delays in timely updates; delays in passing Bills, non-recovery from Revenue Authorities of partner states accumulated VAT refunds; incomplete memberships in governance boards/commissions in some EAC Institutions; non integration of information systems; non-implementation of a performance contract system; opening and closing Bank Accounts without Council approval and non-implementation of the previous audit recommendations.

Nevertheless EAC Organs, Institutions and Projects received unqualified opinions which implied that these financial statements presented fairly, in all material respects, the financial positions of the for the EAC Organs and Institutions for the year ended 30<sup>th</sup> June 2023. Their financial performance and cash flows for the period were in accordance with International Public-Sector Accounting Standards (IPSAS).

## **A. INTRODUCTI ON**

In accordance with the provisions of Article 134 (3) of the Treaty for the establishment of the East African Community (EAC), the Chairperson of the EAC Council of Ministers on 6<sup>th</sup> November 2024, in Kampala, Republic of Uganda laid before the Assembly the following reports of the Audit Commission for EAC Organs and Institutions for the year ended 30<sup>th</sup> June 2023:

- i. The East African Legislative Assembly;
- ii. The East African Court of Justice;
- iii. The East African Community Secretariat;
- iv. The East African Lake Victoria Basin Commission;
- v. The East African Lake Victoria Fisheries Organization;
- vi. The Inter University Council of East Africa;
- vii. The East African Civil Aviation Safety and Security Oversight Agency;
- viii. The East African Kiswahili Commission;
- ix. The East African Health Research Commission;
- x. The East African Science and Technology Commission;
- xi. The East African Competition Authority.

In accordance with Rule 74 (1), Rule 81 (c) and Annex 5 (A) of the Rules of Procedure of the Assembly, the Rt. Hon. Speaker referred the Audited Reports to the Committee on Accounts for review. The Committee met for this purpose from 17<sup>th</sup>-31<sup>st</sup> October 2025 in Arusha, Tanzania and produced a Report.

The Report covers the Committee's findings, observations and recommendations on the main issues raised. It is divided into the following Four (4) Chapters:

- **Chapter One:** Key Audit findings on the Financial Statements of the EAC Secretariat, Projects and Programmes for the year ended 30th June, 2023;
- **Chapter Two:** Current Year Audit Findings on the financial statements of the EAC Secretariat, Projects and Programme for the Year ended 30<sup>th</sup> June 2023.
- **Chapter Three:** Audit Findings on the Financial Statements of EAC Organs and Institutions for the year ended 30th June, 2023;
- **Chapter Four:** General Observations, Recommendations and Acknowledgements.

## **B. OBJECTIVES OF THE ACTIVITY**

The objectives of the activities were:

- (i) Examine the EAC financial statements and management letters for the EAC Organs and Institutions for Financial year ended June, 2023;
- (ii) Follow up on the level of implementation for the previous audit and assembly recommendations for financial year ended June 2022;
- (iii) Assess the levels of compliance to the EAC financial rules and other statutory provisions;
- (iv) Examine the management and governance frameworks of the EAC Organs and Institutions.

## **C. METHODOLOGY**

The Committee used the following methodology in analysing and reviewing the audited accounts for the FY ended 30th June 2023:

### **i. Review of documents**

The Following documents were reviewed:

- The Treaty for the Establishment the East African Community;
- The 6th EAC Development Strategy;
- The Strategic Plans of the East African Community Organs and Institutions;
- The Rules of Procedure of the East African Legislative Assembly;
- The EAC Financial Rules and Regulations;
- The EAC Staff Rules and Regulations;
- Council decisions
- The Audit Commission Reports on the Accounts of the EAC Organs, Institutions and Programmes for the year ended June 2023.

ii. The Committee interacted with Members of the Audit Commission and Management teams of the EAC Organs, Institutions, Projects and Programmes.

## CHAPTER ONE

### 1.0 KEY AUDIT FINDINGS ON THE FINANCIAL STATEMENTS OF THE EAC SECRETARIAT, PROJECTS AND PROGRAMMES

This Chapter includes findings and recommendations on the weaknesses identified during Audit in the areas that need immediate Management attention for improvement.

#### 1.1 AUDITED ENTITIES AND OPINION

For the Financial Year ended 30th June 2023, the Audit Commission audited the following Institutions and Organs:

- i. EAC Secretariat;
- ii. East African Court of Justice;
- iii. East African Legislation Assembly;
- iv. East African Competition Authority;
- v. East African Kiswahili Commission;
- vi. East African Health Research Commission;
- vii. Lake Victoria Basin Commission;
- viii. Lake Victoria Fisheries Organization ;
- ix. The Inter-University Council of East Africa;
- x. The Civil Aviation Safety and Security Oversight Agency; and
- xi. East African Science and Technology Commission.

It is worth noting that the Secretariat undertook several projects funded by different Development Partners which were audited as part of the Secretariat's activities. Thus, for the Financial Year ended 30th June 2023, the Audit Commission audited 20 Projects out of which four (4) required a separate audit opinions as highlighted below:

- i. East African Community Capacity Building Project;
- ii. Payment and Settlement System Integration Project (PSSIP);
- iii. Eastern Africa Regional Statistics Programme for Results Project (EARSForR)
- iv. EAC-Statistics Development and Harmonization Regional Project (EAC/StatDHRP)

In addition to the financial audit, the Audit Commission also conducted the audit of the Information Technology (IT) Systems in use by the Organs and Institutions.

The Audit Commission issued an **unqualified opinion** for all EAC Organs, Institutions, and the projects audited for the period ended **30th June, 2023**. This meant that the financial statements present fairly, in all material respects, the financial position of the entities as at 30th June 2023, the financial performance, and the cash flow for the period then ended. While some accounting misstatements were noted, they were not material enough to affect the overall presentation of a true and fair view of the financial affairs and performance of the respective Organs, Institutions, or Projects. Additionally, for the issued unmodified opinions, the respective audit reports included Emphasis of Matter and Other Matter paragraphs to highlight critical issues requiring urgent stakeholders' attention, such as Partner States' contributions, tax recoverability, and assets management. This does not mean that the opinions were modified in that regard, but it seeks to draw the attention of the users of the audit reports to some key audit findings that need immediate action or decisions.

## 1.2 KEY BUDGETARY ISSUES CONTAINED IN THE REPORT

### 1.2. 1 Funding Sources

The budget of the EAC is mainly funded through Partner States' contributions and Development Partners' support. The activities of the Community during the financial year 2022/23 were funded by a budgetary appropriation of **USD115,741,802** compared to **USD 105,004, 766** in 2021/2022. This was an increase of **USD 10,737,036** or **9.3%** as shown in the Table below.

**Table 1.1: EAC Budget Analysis for the years 2021/2022 and 2022/2023**

Budget Source	2021/2022 Budget (USD)	2022/2023 Budget (USD)
Partner States Contribution	52,093,224	64,047,637
Development Partners	43,232,674	45,007,681
Supplementary and Borrowing from Reserves	9,678,868	4,027,741
Other Income	0	2,658,743
<b>Total Budget</b>	<b>105,004,766</b>	<b>115,741,802</b>

It was also noted that expected Development Partner's contribution increased from **USD 43,232,674** in FY 2021/2022 to **USD 45,007,681** in 2022/2023.

### 1.2.2 Outstanding Contributions from Partner States

During the financial year 2022/2023 a total of **USD 37,968,46** remained outstanding from the Partner States, representing a decrease by **46.7%** compared to the **USD 71,328,963** reported for the financial year 2021/22 as depicted in the Table below:

**Table 1.2: Outstanding Contributions from Partner States at 30th June 2023**

PARTNER STATE	2022/23 (USD)	2021/22 (USD)	2020/21 (USD)
Republic of Burundi	17,913,391	18,769,656	16,595,869
Republic of Rwanda	3,396,570	5,455,754	2,762,427
United Republic of Tanzania	19,113	1,682,457	943,502
Republic of Uganda	112,550	1,144,127	332,368
Republic of Kenya	597	1,611,589	11,078
Republic of South Sudan	7,996,367	42,665,380	32,741,277
Democratic Republic of Congo	8,529,874	0	0
<b>TOTAL</b>	<b>37,968,462</b>	<b>71,328,963</b>	<b>53,386,522</b>

These persistent delays and non-payments significantly hinder the implementation of planned activities and pose serious challenges to the operational effectiveness and regional integration goals of the East African Community.

### 1.2. 3 Budget Performance FY 2022/2023

During the year ended 30 June 2023, the total approved budget of the Community (inclusive reserve and supplementary budget) was **USD 115,741,802**. However, the Organs and Institutions of the Community managed to absorb only **USD 77,741,995**, representing an overall absorption rate of **67%**. The low absorption was associated with delayed and non-remittances by partner states and under staffing in EAC Organs and Institutions. This implies that the Community could not implement **33%** of its planned activities during the respective year.

### 1.2. 4 Budget Trajectory for the last ten years

The gross estimated expenditure has decreased over the last ten years from **USD 133,349,402** million in 2013/2014 to **USD 115,741,802** million in 2022/2023. This is approximately a decrease of **13.2%** over the last decade, as indicated in the Table below.

**Table 1.3: Budget movement for the last ten years**

Financial Year	Annual Budget (USD)
2013/14	133,349,402
2014/15	126,110,145
2015/16	112,230,039
2016/17	104,180,903
2017/18	115,176,097
2018/19	111,709,513
2019/20	116,428,004
2020/21	99,738,752
2021/22	105,004,766
2022/23	115,741,802

### 1.3 KEY AUDIT FINDINGS

The reports include findings on weaknesses identified during the audit and areas that need immediate management attention for improvement. The summary of the report presents the Audit Commission's assessment of its previous recommendations in para 1.3.1 and brief descriptions of the key issues affecting the progress of the Community in the delivery of its core mandate under para 1.3.2 to 1.3.9.

#### 1.3.1 Status of Implementation of Prior Years' Audit Recommendations

During the period ended 30<sup>th</sup> June 2023 a total of **423 recommendations** relating to 11 EAC Organs and Institutions audited by the Audit Commission were outstanding. From the assessment of these recommendations, the Audit Commission noted that **103 (24%)** have been fully implemented, **173 (41%)** were under implementation and **147 (35%)** had not been implemented. The continued non-implementation of audit recommendations underscores persistent weaknesses in internal controls, governance structures, and accountability mechanisms across EAC Organs and Institutions. The situation highlights the need for strengthened follow-up actions and enforcement of audit recommendations to enhance financial management and institutional performance within the Community.

**Table 1.4: Status of Implementation of Previous Audit Recommendations**

<b>Institution</b>	<b>Fully implemented</b>	<b>Partially implemented/Under implementation</b>	<b>Not implemented</b>
EAC Secretariat	18%	51%	31%
EALA	0%	54%	46%
EACJ	32%	21%	47%
EACA	46%	27%	27%
EAKC	17%	8%	75%
LVBC	43%	14%	43%
LVFO	38%	47%	15%
EAHRC	46%	27%	27%
EASTEKO	27.3%	18.2%	54.5%
CASSOA	67%	33%	0%
IUCEA	61%	19%	20%

### **1.3.2 Review of Strategic and Operational Efficiency**

#### **1.3.2.1 Institution Not Audited by EAC Audit Commission - East African Development Bank (EADB)**

The Audit Commission reported that while the 16th Summit directed the Council to review and streamline the EADB structure into the EAC main framework, it noted that the Council of Ministers, at its 40th Ordinary Meeting, decided to maintain the current arrangement under which the EADB Governing Council approves the appointment of external auditors.

#### **1.3.2.2 Inconsistency on the Deadlines for EAC Budget Approval**

The Audit Commission observed an inconsistency between Regulation 18(5) of the EAC Financial Rules and Regulations, 2012, which requires the Assembly to debate and approve the EAC Budget by 30th June, and Section 2.3.8(e) of the EAC Financial Procedures Manual, 2013, which stipulates that the debate and approval shall take place in May. While Management interprets these provisions to mean the process should occur in May and be finalized by 30th June, such clarity is not evident in the two documents.

#### **1.3.2.3 Absence of and Failure to update timely the Strategic Plan**

The Committee observed that the Strategic Plans of the EACJ, EAHRC, and EAKC have expired and that, in the absence of valid replacements, these institutions have continued to operate without this essential planning tool, a situation that will undoubtedly harm their overall performance and financial management.

#### **1.3.2.4 Limited Competition culture in the EAC Region**

The Committee observed that competition culture within the EAC region remains limited, as the region has consistently faced challenges in enacting competition laws and establishing institutions to enforce them. This situation has contributed to the shrinking of the regional market through malpractices and anti-competitive behaviors. The Committee further noted that while the Republic of Burundi has enacted a Competition Act, it has yet to establish a Competition Authority, and the Republics of Uganda and South Sudan have not enacted National Competition Laws or established National Competition Authorities.

### **1.3.2.5 Delays in onboarding new Partner state Commissioners**

The Committee observed that the East African Competition Authority has had only five Commissioners since it came into operation. This has left the Republic of South Sudan and the Democratic Republic of Congo without nominated Commissioners. The Committee noted that this situation is contrary to Section 13 of the EAC Competition (Amendment) Act, 2023, which mandates each Partner State to nominate one Commissioner to the Authority, and requires the Authority to be constituted by all Commissioners from the Partner States. The Committee further observed that the Authority, being served by an insufficient number of Commissioners throughout its operations, may face negative impacts on the execution of its mandate.

### **1.3.2.6 EALA Bills Passed but Not Assented to**

The Committee noted that twenty-two (**22**) Bills, some of which were enacted as early as 2012, had not received assent from all Partner States as at November 2023. The Committee further observed that one (**1**) Bill was assented to in November 2023, and thereafter three (**3**) Bills were enacted during the year under review. This development brought the total number of Bills not assented to by all Partner States to twenty-four (**24**).

### **1.3.3 Human Resources**

#### **1.3.3.1 Weaknesses in Leave Administration**

The Committee noted that 99 staff members had accumulated leave exceeding their annual entitlement, with some having more than three times their entitlement, indicating that they had not been taking leave as expected. The Committee further observed that the EAC Secretariat incurred a cost of USD 105,032 as payment in lieu of untaken leave days for 25 employees. In addition, review records revealed that two retired officers were paid twice during the financial year for commutation of leave.

#### **1.3.3.2 Absence of controls for monitoring employees at the EACJ**

The Committee observed the absence of systems to capture staff attendance at the EACJ premises, which has made it difficult for Management to reliably assess staff absences without authorization. As a result, salary payments are not adequately supported by confirmed attendance and actual work performed, as required by the procedures in place. The Committee further noted that the EACJ does not maintain either a manual or electronic register to track staff movement in and out of the workplace or to record the number of hours worked by each staff member.

#### **1.3.3.3 Delayed Remittance of Gratuity to EAC Secretariat**

The Committee observed that, EALA had not remitted gratuity for five months of the 2023/24 financial year, leaving a total outstanding amount of **USD 535,226**.

### **1.3.4 Long Outstanding Taxes Recoverable**

The Committee established that the amount of unrefunded VAT claims remains significantly high, having increased from **USD 5,006,568** in 2021/22 to **USD 5,760,363** in 2022/23. This persistent issue is of concern, particularly in light of the Headquarters Agreements signed with Partner States, which explicitly exempt the East African Community (EAC) from all forms of direct taxation, including Value-Added Tax (VAT).

**Table 1.5: Summary of the Unrefunded VAT**

ENTITY	2022/23	2021/2022
CASSOA	83,125	61,430
EACA	45,662	<b>37,253</b>
EACJ	396,968	<b>369,719</b>
EAHRC	154,980	<b>131,306</b>
EAKC	60,209	<b>55,534</b>
EALA	214,690	<b>347,222</b>
EASTECO	31,472	<b>31,631</b>
IUCEA	388,901	15,467
LVFO	152,047	<b>116,105</b>
LVBC	278,972	282,048
EACS	3,953,337	<b>3,558,853</b>
<b>TOTAL</b>	<b>5,760,363</b>	<b>5,006,568</b>

Source: *Audit Commission Analysis, 2023.*

### 1.3.5 Procurement Matters

#### 1.3.5.1 Irregularities during Assets Disposal

The Committee observed that 11 motor vehicles were successfully sold to the highest bidders, generating USD 39,688.40 (TZS 92,553,348.80). In addition, the auction included the sale of computer equipment and furniture, bringing the total value of all items sold to USD 42,775.86 (TZS 99,753,305.52). The auctioneer, Losarea Company Ltd, reported that TZS 76,053,719.04 (USD 32,613.08) was collected from successful bidders and deposited into the EAC Secretariat's Shilling account held with NBC. However, the auctioneer deposited a lump sum amount without specifying the individual contributions of each bidder, raising serious concerns about the clarity of payment status for assets already collected. The Committee further noted that on 18 January 2023, EAC Management returned the previously collected and deposited amount of TZS 76,053,719.04 to the auctioneer. Moreover, although the auction concluded on 20 August 2023 and the auctioneer prepared the report on 14 September 2023, the report claimed that TZS 23,699,585.48 (USD 10,162.77) was yet to be collected from buyers, raising concerns since the 14-day payment deadline had already lapsed.

#### 1.3.5.2 Gaps noted in the repair of the vessel RV JUMUIYA

The Committee observed that LVBC signed a contract with MUNDAO Engineering Associates Limited on 11 April 2023 for the supply and installation of parts and repair of the vessel RV JUMUIYA at a cost of **USD 91,878**. On 30 June 2023, an addendum was signed by both parties for works omitted from the initial contract amounting to **USD 26,030**, bringing the total contract sum to **USD 117,908**. The expected completion date was 30 September 2023. The Committee further noted that although the contractor had been paid **USD 86,952**, the main pump of the existing hydraulic system was not functioning as it had not been integrated into the system. In addition, the contractor failed to replace rotten wooden parts and fumigate the vessel, and LVBC had not officially received the works on the vessel two months after the expected completion date.

#### 1.3.5.3 Outstanding issues in construction of LVBC headquarters

The Committee observed that on 14 December 2020, LVBC signed a contract with Tareef Enterprises Ltd for the construction of Phase I of the LVBC Headquarters office block at a cost of **USD 1,116,558**. The contract was terminated by LVBC on 14 September 2022. LVBC

Management informed the Committee that the termination was due to the contractor's failure to fulfill contractual obligations. The matter is currently before the Dispute Adjudication Board, and LVBC is still pursuing the process."

#### **1.3.5.4 Renewal of Contracts without Approval by Procurement Committee**

The Committee observed that the EAHRC renewed contracts with three suppliers for the provision of security services, web hosting, maintenance and support services, and internet services for a period exceeding three years. This was done without the involvement or approval of the Procurement Committee, contrary to Regulation 48(d)(viii) of the Financial Rules and Regulations, 2012.

#### **1.3.6 Budget Execution**

##### **1.3.6.1 Adequacy of Budgetary Allocation to Fund EALA's Mandate**

The Committee observed that the core mandate of EALA as bestowed by the EAC Treaty is legislative, oversight, representative and budget approval. A total USD 104,842,466 was projected as required resources for the implementation of the Strategic plan 2019-2024, however, EALA's budget trend over the three years of the plan has not been in line with the resource requirements for the implementation of the strategy. The annual under funding has expanded from **USD 3.16 million** during the 2020/2021 financial year to **USD 5.4 million** during the 2023/2024 financial year.

## CHAPTER TWO

### 2.0 CURRENT YEAR AUDIT FINDINGS ON THE FINANCIAL STATEMENTS OF THE EAC SECRETARIAT, PROJECTS AND PROGRAMMES

#### 2.1 EAST AFRICAN COMMUNITY SECRETARIAT

##### 2.1.1 REVIEW OF INTERNAL CONTROLS AND GOVERNANCE

###### 2.1.1.1 Institution Not Audited by EAC Audit Commission - East African Development Bank (EADB)

The Audit Commission noted that the Summit in its meeting held on 3 March, 2016 directed the Council to review the EADB structure to streamline it into the EAC main structure. This decision was in line with the East African Legislative Assembly (EALA) recommendation in October 2013 which observed that EADB is by law an Institution of the Community and that EAC Council of Ministers should streamline the legal framework of the Bank in relation to the EAC, and thereafter implement Article 9(3) of the Treaty. The Audit Commission observed that neither the EALA recommendation nor the Summit decision was implemented, instead, the Council of Minister made a decision during its 40th ordinary meeting (**EAC/CM/40/Decision10**) that allowed EADB to maintain the current arrangement, whereby the EADB Governing Council approves the appointment of external auditors. The Audit Commission insists that the status of the Bank as an institution of the EAC is very clear in the EAC Treaty and therefore its audit should be conducted by the Audit Commission.

Management reported that the 40th Meeting of Council – 25<sup>th</sup> February 2021, considered the matter and: (i) urged the EADB's Governing Council to consider the EAC development plans in setting the priorities of the Bank (**EAC/CM/40/Decision 08**); (ii) urged Partner States who are not members of the EADB to formally seek admission as members by acquiring shares (**EAC/CM/40/Decision 09**); (iii) maintained the current arrangement, whereby EADB Governing Council approves the appointment of external auditors, since this is the best practice (**EAC/CM/40/Decision10**); and (iv) urged the EADB Governing Council to annually inform the Summit on the performance of the Bank (**EAC/CM/40/Decision 11**). Management clarified that as per Article 14 of the EAC Treaty, the role of the Council is to provide policy direction to all institutions including the EADB while the role of the EADB Governing Council is to provide strategic direction with respect to the operations of the EADB. In issuing the above directives, the Council was cognizant that, unlike other EAC Institutions, EADB is a financial institution which operates purely on business terms and has shareholders who are non-EAC Partner States. Management presented a letter from the Executive Director to the then Secretary General in 2015 which clearly stated that neither the Audit Commission nor any other Organ has authority to audit EADB. In view of the above, Management clarified that the EADB remains structurally separate from the EAC and Council agreed to maintain the status quo while exploring integration modalities.

##### Committee Observations

- i) Non-audit of the EADB by the Audit Commission is a contravention of the EAC Treaty.
- ii) The decision of the Council (**EAC/CM/40/Decision10**) is an infringement on the independence of the Audit Commission contrary to Article 134 (4) of the EAC Treaty which states that, in the performance of its functions under this Article, the Audit Commission shall not be subject to the direction or control of any person or authority.
- iii) The EADB is an Institution of the Community and EALA should therefore have oversight over it.

## **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to streamline the legal and structural framework of the East African Development Bank within the EAC.***

### **2.1.2 Inconsistency on the Deadlines for EAC Budget Approval**

Regulation 18 (5) of the EAC Financial Rules and Regulations, 2012 provides that the Assembly shall debate and approve the EAC Budget by 30<sup>th</sup> June whereas Section 2.3.8 (e) of the EAC Financial Procedures Manual (2013) states that the debate and approval shall take place in May. While Management interprets these provisions to mean that the debate and approval should take place in May and be finalized by 30<sup>th</sup> June, such clarity is not easily seen in the two separate documents. The Audit Commission therefore consider that the EAC Financial Rules and Regulations and the EAC Financial Procedures Manual on the deadline for the debate and approval of the EAC Budget by the East African Legislative Assembly (EALA) need to be reviewed and aligned to avoid confusion.

Management reported that it presented the anomaly to the 53<sup>rd</sup> Extra Ordinary Council to realign all the inconsistency and the Council directed Secretary General to undertake a review of the East African Community Staff rules and regulations, 2012. Management clarified that the secretariat developed a matrix on all inconsistencies to be presented to the Finance and Administration Committee for review and subsequent adoption by the Council. Management further clarified that the alignment of the Secretariat Budget cycle with other Organs and Institutions is one of the proposals which needs review but added that the first priority is to address the issue of inconsistency. Management further reported plans to introduce a comprehensive Public Financial Management Bill to address all the inconsistencies for all Organs and Institutions.

### **Committee Observation**

Non-alignment between the two EAC documents creates an unnecessary confusion which could negatively affect the budget schedules.

## **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to align the EAC Financial Rules and Regulations, 2012, and the EAC Financial Procedures Manual, 2013, with the dates for debate and approval of the EAC Budget, preferably in May, one month before the start of the financial year.***

### **2.1.2 BUDGETARY CONTROLS AND PERFORMANCE**

#### **2.1.2.1 Budget Underperformance**

During the review of the budget performance, the Audit Commission noted low generation and utilization of approved funds. This was noted on both revenue and expenditure budget lines as detailed in Table 2.1.1 below. Further, there was no evidence that Management has put in place follow up procedures during the budget review and implementation process.

**Table 2.1.1: Budget Performance**

Description	Final Budget	Actual Amounts	Variance	% Variance
	A	B	C= (A-B)	D=(C/A*100)
REVENUE	USD	USD	USD	
Contribution from Partner States	19,367,845	12,395,421	6,972,424	36%
Special Funds from Development Partners	29,693,507	11,393,979	18,299,528	62%
EXPENSES				
Salaries, Wages and Employee Benefits	15,184,741	10,580,672	4,604,069	30%
Administrative, meetings and consultancy Expenses	33,394,672	17,449,631	15,945,041	48%
Finance Cost	25,500	23,494	2,006	8%
<b>Capital Expenditure</b>	<b>2,351,891</b>	<b>701,147</b>	<b>1,650,744</b>	<b>70%</b>

Management clarified that the EAC budget is appropriated by the EALA together with operational support tools like the Annual Operational Plan; Procurement Plan, Calendar of Activities, among others, which assist in the implementation of the approved budget all geared towards achievement of the set annual targets and plans. All downstream administrative processes, controls, and instruments that are utilized for requisitioning the budget for the planned activities provide controls to ensure that only approved activities are funded. Management further clarified that Execution of planned and approved activities may at times be affected by the levels of Partner States disbursements and hence it has implemented mechanisms (including writing debits notes, reminder letters for disbursements, regular reporting of status of disbursements to Council of Minister, etc) to remind Partner States to disburse funds to the Community in line with the provisions of the Financial Rules and Regulations, 2012, all geared towards execution of planned activities and attainment of EAC annual targets, goals and objectives.

#### **Committee Observation**

The underutilization of budget allocations for specific budget lines indicates failure to fully achieve the associated objectives. This could also be indicative of inadequate planning during the budget preparation phase.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management takes proactive measures to guarantee that allocated funds are used in accordance with planned activities, with effective follow up during execution and review processes to ensure budget utilization aligns with the organization's objectives and plans.***

#### **2.1.2.2 Under Implementation of Planned Activities**

The Audit Commission noted that the EAC Secretariat budget performance report indicated an overall budget for the year totalling **USD 51,188,413**. However, as at 30 June, 2023 the

total spending amounted to **USD. 29,416,673** resulting in a budget underutilisation of **USD 21,771,739** or **43%** of the total budget. The Audit Commission further noted that the EAC Secretariat did not implement ten (10) planned activities with allocated budget amounting to **USD 162,720** from the State partners budgeted funds. Similarly, there were low level of budget absorption for eighteen (18) number of planned projects with an absorption rate of below 50% of budgeted amounts. In addition, some of the actual expenditure indicated very low absorption casting doubt on whether the expenses reported were for the planned activity. The details are as indicated in Error! Reference source not found.

Management reported that: (a) Delays in implementing approved activities and achievement of the strategic objectives is due to the delays in receiving Partners States contributions which lead to postponement or partial implementation of activities. Management clarified that as at 30 June 2023, the Secretariat had received **64%** of the annual Partner States contributions. The better budget performance is attributable to the use of accrual, rather than cash accounting, as well as borrowings from the EAC General Reserve; otherwise the number of activities budgeted for but not implemented at all would have been higher than observed by the Audit Commission; (b) The amount received from Development Partners was **USD11M** instead of the **USD 30M** budgeted for. This was mainly attributable to the fact that for most projects, the next disbursement was subject to absorption capacity, which explains the variance between the budget and received amounts; The lengthy recruitment process of the project staff also contributed to the low budget absorption rate. The under spending in Capital Expenditure as well as some consultancies and feasibility studies funded by Development Partners was due to delays in the procurement process where no objection from Development Partners was required. (c) Management committed to improve on the Monitoring of budget implementation by regular (quarterly) review of progress and taking corrective actions and budget reallocation and supplementary proposals in line with the EAC Financial Rules and Regulations 2012; and development of realistic budget proposals through existing structures like the EAC Planning and Budget Committee which receives and reviews proposals from management for recommendation to the Finance and Administration Committee and Council of Ministers for approval.

### **Committee Observation**

Budget underutilisation and non-implementation of planned activities implies; delayed achievement of the strategic objectives of the Community; unrealistic activity planning and budgeting; and irregular reallocation of funds.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management closely monitors the implementation of the budget and takes appropriate actions to guarantee the effective implementation of planned activities.***

## **2.1.3 REVIEW OF ACCOUNTS RECEIVABLE**

### **2.1.3.1 Doubtful Long Outstanding Receivables from Partner States**

The Audit Commission report on the review of annual contributions by the Partner States, revealed that the EAC Secretariat expected to receive a total of **USD 35,397,489** from the Partner States being **USD 19,367,845** appropriated in the financial year 2022/2023 and **USD 16,029,644** that was outstanding from previous years. However, EAC Secretariat received **USD 18,011,383** being Partner States contributions leaving **USD 17,386,106** outstanding as at 30 June, 2023. As a result, the outstanding contributions increased by **8% (USD**

**1,356,462**) from the previous year outstanding balance of **USD 16,029,644**. The increase in contributions receivables indicates a significant shortfall from Partner States in funding the activities of the Community. Table 2.1.2 below indicates analysis of contributions and outstanding balances for each of the seven (7) Partner States:

**Table 2.1.2: Analysis of Partner States Contributions**

	Description	Arrears (As per FY 2022 Audited Financial Statements) (USD)	Contributions for 2022/2023 (USD)	Total Dues (USD)	Contributions Paid During 2022/2023 (USD)	Outstanding Receivables 2022/2023 (USD)
<b>1</b>	Burundi	2,792,138	2,766,835	5,558,973	2,036,344	3,522,629
<b>2</b>	Rwanda	356	2,766,835	2,767,191	2,766,651	540
<b>3</b>	Tanzania	713	2,766,835	2,767,548	2,766,826	722
<b>4</b>	Kenya	4	2,766,835	2,766,839	2,766,830	9
<b>5</b>	South Sudan	13,229,955	2,766,835	15,996,790	4,946,583	11,050,207
<b>6</b>	Uganda	6,478	2,766,835	2,773,313	2,728,149	45,164
<b>7</b>	DRC	-	2,766,835	2,766,835	-	2,766,835
	Total	16,029,644	19,367,845	35,397,489	18,011,383	17,386,106

Management clarified that EAC Secretariat continues to urge Partner States to make their disbursements through reminder letters and reporting the status of Partner States contributions in all meetings of the Council of Ministers. Management committed to assess recoverability of outstanding receivables from Partner States in line with EAC Financial Rules and Regulations, 2012 and explore the possibility of writing-off those assessed and categorised as irrecoverable by the Council of Ministers. Management further reported that Partner States are making effort to progressively clear their arrears. Management further clarified that by writing-off all receivables from RSS up to 30<sup>th</sup> June 2022 as directed by the Summit, the figure of USD 345,083 will be written-off therein from the books of account.

#### **Committee Observations**

- i. Failure to pay annual contributions by Partner States leads to budget shortfalls, limiting the EAC Secretariat's capacity to effectively carry out its mandate.
- ii. Non-compliance with contribution obligations may potentially lead to weakening of the Community and pose a risk of eventual failure.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management engages with Partner States on the recoverability of outstanding contributions and the timely remittance of contributions.***

#### **2.1.3.2 Recoverable Value Added Tax (VAT)**

The Audit Commission reported that the statement of financial position of the EAC Secretariat reflects outstanding taxes recoverable of USD 3,953,337 as at 30 June, 2023 which as detailed in the ledger comprised USD 3,949,110 VAT claims and USD 4,227 withholding tax receivables. Further, the ageing analysis provided indicates that the VAT claims of USD 3,949,110 included an amount of USD 619 due from outside EAC while the remaining balance of USD 3,948,491 was due from Partner States as summarized in Table 2.1.3 below.

**Table 2.1.3: Receivable VAT from Partner States**

	Partner State	Outstanding Amount as at 30 June, 2023	% of Total Amount Due	1 Year	2 Years	3 Years	4 years	Above 5 years
		USD		USD	USD	USD	USD	USD
1	Burundi	57,486	1.5%	12,107	-5,352	1,549	4,294	44,888
2	Kenya	386,519	9.8%	73,168	61,295	67,936	74,374	109,745
3	Rwanda	85,888	2.2%	9,977	27,860	-1,334	7,231	42,154
4	Southern Sudan	5,534	0.1%	0	1,790	33	2,657	1,055
5	Tanzania	3,211,158	81.2%	289,828	266,159	238,934	151,215	2,265,022
6	Uganda	209,265	5.3%	12,907	58,913	-877	7,310	131,012
	Total	3,955,850	100.0%	306,242	247,080	2,593,876		

The following observations were made in that regard: (i) A total of USD 3,211,158 or 81.2% of the outstanding VAT claims was due from the United Republic of Tanzania with an amount of USD 289,828 relating to the current year. However, no VAT claims were submitted to the United Republic of Tanzania for refund during the year under review. (ii) The outstanding VAT claims of USD 3,955,850 includes USD 2,593,876 (65.6% of the total claims) that has been outstanding for more than 5 years without being settled. Further, the outstanding VAT claims from Partner States increased by USD 396,380 or 11% compared to the amount of USD 3,559,470 reported as at 30 June, 2022.

Management clarified that:(i) Tax Claims were submitted to other Partner States with exception of the URT which requires some procedural processes for Public Notary to certify tax invoices as certified copies of the originals to the Regional Office for internal certification and forwarding for processing to the Head Office of Tanzania Revenue Authority (TRA). (ii) Since there were no refunds remitted by any Partner States during the FY 2022/2023, Management committed to continuously engage with the EAC Council of Ministers and Revenue Authorities in Partner States to make good use of their tax obligations; (iii) Management informed the Committee that the EAC Protocol on Privileges and Immunities, a legal instrument that provides legal basis for all Partner States to refund taxes to the Community Organs/Institutions was fully ratified by all the Partner States. Management was in the process of developing modalities for implementation of the protocol.

#### **Committee Observation**

Failure to submit the VAT claims reduces the possibility of the recovery of the outstanding amounts from various Partner States due to factors such as the misplacement or loss of the supporting records. Further, the EAC Secretariat is not likely to carry out some of its programmes and activities effectively due to significant funds that have been tied up in VAT receivable.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to establish mechanisms to ensure that Partner States prioritize the refunding of taxes,***

*thereby preventing the accumulation of claims.*

## **2.1.4 REVIEW OF CASH AND CASH EQUIVALENTS**

### **2.1.4.1 Bank Accounts Opened or Closed without Council Approval**

The Audit Commission reported that during the financial year ended 30 June 2023, the Secretariat opened seven (7) new bank accounts and closed other 18 accounts as indicated in Table 2.1.4 below. However, no evidence was provided to the Audit Commission to confirm that the opening and closing of the accounts were approved by the Council as required by the regulations.

**Table 2.1.4: New and Closed Bank Accounts in 2022-23**

<b>New Bank Accounts</b>				
<b>S/No.</b>	<b>Account No</b>	<b>Bank</b>	<b>Purpose</b>	<b>Currency</b>
	3390933166	KCB(T) Ltd	EAC- EU Institutional Strengthening	USD
	3390933183	KCB(T) Ltd	EAC- EU Institutional Strengthening	EUR
	3390939822	KCB(T) Ltd	EAC/WB Statistic Program 2	USD
	3390945121	KCB(T) Ltd	Multinational EAC Capacity Building	USD
	3390947809	KCB(T) Ltd	EAC Peace Facility	USD
	3391041706	KCB(T) Ltd	EAC Nyerere Centre	USD
	3391112131	KCB(T) Ltd	EA- RDIP Project	USD
<b>Closed Bank Accounts</b>				
	Account No.	Bank	Name of Account	Currency
	3390407944	KCB(T) Ltd	EAC StatDHRP Project	USD
	4400266931	KCB(R) Ltd	EAC Secretariat	USD

The non-compliance was attributed to inadequate planning and projections on development projects since all the accounts opened and closed were in respect to the development partners' projects.

Management acknowledged the Audit Commission recommendation and committed to undertake projections on projected new bank accounts to be opened and those expected to be closed for approval. Management clarified that in some instances, the bank accounts were opened in line with requirements specified in the Development Partners Financial agreements and request for retrospective approval by the Council. Management further informed the Committee that it submitted all the applicable bank accounts that relate to currently operational projects, to the forthcoming 44<sup>th</sup> meeting of the Council of Meeting, for express approval for their opening and closing.

### **Committee Observation**

Non-compliance with the rules and regulations governing the opening and closing of banks account.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to undertake projections on projects requiring new bank accounts or account closures, and to seek approval for opening project bank accounts at the time funding is approved.***

## **2.5 REVIEW OF PROPERTY PLANT AND EQUIPMENT**

### **2.1.5.1 Overpayment on Assets procured and not Put to Use**

The Audit Commission reported that ten (10) online conference room systems and smart boards were procured by the EAC Regional Network of Public Health Reference Laboratories for Communicable Diseases (KF02) and each supplied and installed in six Partner States, one was installed at the EAC Headquarters while three were kept in storage. At the time of purchase, Management was aware that seven online conference room systems and smart boards were required. However, the audit commission noted that the supplier was paid the full amount, including installation costs and software subscriptions for all 10 systems, even though three were not put to use, resulting in an overpayment of USD 7,011.78.

Management acknowledged that KFW funded a project to procure equipment for the benefit of partner states to prevent proliferation of communicable diseases. Management informed the Committee that 7 of the equipment were allocated to partner states while 3 remained in the stores. Management reported that part of the costs was for software to operationalise the hardware of the equipment. Management further clarified that these equipment were consequently allocated to Ministries of Health in Republic of South Sudan (Juba), DRC (Kinshasa) and United Republic of Tanzania (Zanzibar), installed and commissioned for operation. Management further submitted that the equipment have up-to-date information on communicable diseases. According to the project agreement, the project will undertake operation for 4 years and has been extended up to 2028 after which the partner states shall become responsible for maintenance of the said equipment.

#### **Committee Observation**

Procurement of excess systems, installation and software subscription costs exceeded the immediate needs of the organization leading to wasteful expenditure.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management utilizes available resources wisely by aligning them with the most important planned activities of the Community, conducting thorough needs assessments, and optimizing resource allocation to maximize efficiency.***

### **2.1.5.2 Reclassification of Low value Assets to Expenses and Irregularities during Assets Disposal by Auction.**

Section 3.33 of the EAC Asset Management and Disposal Policy and Procedures Manual, 2014 stipulates that all assets marked for sale must undergo either a public auction or tender. The section notifying the intention to sell in a local newspaper and outlines the necessity of appointing an independent valuer by the EAC, an independent auctioneer (if opting for a public auction), or adhering to prescribed tender procedures (in the case of a tender). Moreover, it mandates that a list of assets earmarked for sale must be submitted to the Secretary General for approval by the Council of Ministers.

### **2.1.5.3 Reclassification of Low value Assets to Expenses.**

The Audit Commission reported that the financial statements of EAC Secretariat reflect a balance of USD 1,392,534 in respect of reclassification of fixed assets. The Audit Commission confirmed that the EAC Secretariat conducted a disposal of certain assets through an auction managed by the Losarea Company. The auction took place from August 18 to 20, 2023. The Audit Commission observed that the Secretariat reclassified some low-value assets that were previously recorded under Property, Plant, and Equipment (PPE) to expenses.

#### **2.1.5.4 Irregularities during Assets Disposal**

The Audit Commission report relating to the auction revealed the following irregularities: -

(i) According to the auction report, 11 motor vehicles were successfully sold to the highest bidders, generating an equivalent of USD 39,688.40 (TZS 92,553,348.80). In addition, the auction included the sale of Computer Equipment and Furniture, bringing the total equivalent value of all sold items to USD 42,775.86 (TZS 99,753,305.52). The auctioneer's report indicates that TZS 76,053,719.04 (equivalent to USD 32,613.08) was collected from the successful bidders and deposited into the EAC Secretariat's Shilling account held with NBC. However, there remained an amount of TZS 23,699,585.48 (equivalent to USD 10,162.77) yet to be collected, as quoted in the auctioneer's report. (ii) All furniture and computer equipment that were sold were duly collected by the successful bidders. Notably, vehicle no. TCD177EAC (Toyota Hiace) had already been collected by its buyers, while vehicle no. TCD302EAC, belonging to EACJ, had been deregistered and assigned a new number but had not been collected due to management's decision, citing infringement of internal disposal procedures. However, on 18 January, 2023, EAC Management returned the previously collected and deposited amount of USD 76,053,719.04 to the auctioneer. (iii) The Auctioneer's report revealed that two motor vehicles with registration numbers TCD67EAC and TCD45EAC were sold below the price floor set at USD 1,573. TCD67EAC was sold at USD 996.9, and TCD67EAC was sold at USD 1,236.8. Further, although the auction concluded on 20 August, 2023, and the auctioneer prepared the report on 14 September, 2023, the report claimed that TZS 23,699,585.48 (equivalent to USD 10,162.77) was yet to be collected from the buyers, raising concerns since the 14 days required for payment had already lapsed. (iv) The Auctioneer deposited a lump sum amount without specifying the individual contributions of each bidder, raising serious concerns about the clarity of payment status for assets that had already been collected. Compounding this issue, the Secretariat refunded the entire amount to the auctioneer, even though some assets had already been collected by buyers. (v) One of the successful bidders for one of the vehicles had sued the EAC Secretariat on failure to release the said vehicle. However, on 8 August the High Court of the United Republic of Tanzania dismissed the suit citing lack of jurisdiction to try the suit. No evidence was provided for any further suit or appeal. (vi) On 2 November, 2023 EAC Management wrote to the Ministry of Foreign Affairs United Republic of Tanzania to Halt Deregistration process of the 11 vehicles sold through the auction. (vii) Management removed the assets from the register citing sale through auction. However, there were no proper documentation establishing a clear link between the assets sold and those marked for disposal. With the exception of motor vehicles, most assets listed in the auction report lacked identification through code numbers in the financial reporting system (Sun System). It was not possible to verify whether the assets sold in the auction align with those officially removed from the assets register. Further, the full amount collected from buyers was returned to the auctioneer indicating that there was no proceed from the sale.

Management reported that with regard to the disposal process referred to above, a committee under the leadership of the Deputy Secretary General was instituted to investigate the entire disposal process and propose actionable recommendations to be implemented by the Secretary General. The investigation report was submitted to the Secretary General and later shared with the Audit Commission for review. The findings highlighted several procedural shortcomings, particularly regarding compliance with the Financial Rules and Regulations (FRR), 2012, and the EAC Procurement Manual. In response, the EAC Secretariat Management instituted proper procedures to ensure that all future disposals comply with the approved framework. The revised process includes: (a) The Board of Survey identifies items recommended for disposal and prepares a comprehensive report; (b) The report is submitted to the Procurement Committee for review and approval; and (c) Upon the Procurement Committee's approval, the disposal proposal is forwarded to the Council of Ministers for final

authorization. These measures are intended to enhance accountability, transparency, and adherence to established procurement and disposal regulations within the EAC.

### **Committee Observations**

- i. The EAC Secretariat could have experienced substantial financial loss due to the auction, with the auctioneer failing to remit the full amount collected.
- ii. The decision to refund the entire amount to the auctioneer is questionable, especially considering that some assets had already been collected by buyers, resulting in no returns for the Community from its assets.
- iii. The auctioneer might have collected the full amount from buyers but had submitted the amount at the time of preparing the report, raising concerns about the transparency and completion of the financial transactions associated with the auction.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to:***

- i. Initiate legal proceedings against the auctioneer to recover damages and losses incurred by the Community due to failure to collect the remaining amount from buyers within the stipulated 14-day period; and***
- ii. Hold individuals accountable for losses resulting from irregularities in the disposal process, with those responsible being personally liable and required to compensate the Community in accordance with Section 9.2 (q) of the EAC Financial Procedures Manual, 2013, which specifies that staff negligently causing a loss of cash or negotiable instruments are personally responsible and should be held liable for the loss.***

#### **2.1.5.5 Anomalies in recording and management of Assets**

The Audit Commission reported that Four (4) motor vehicles with a total value of USD 225,579.90 were insured as assets owned by the EAC Secretariat. However, the Audit Commission review of the submitted documents found these assets were not included in the assets register. This raises uncertainty about the accuracy of the reported PPE balance in the financial statements, as it is apparent that these assets have been omitted from the EAC Secretariat's financial records. The assets associated with this anomaly are detailed in Table 2.1.5 below.

**Table 2.1.5: Assets insured but not recorded in the EAC Secretariat's books**

<b>S/N</b>	<b>Vehicle Registration</b>	<b>Control</b>	<b>Value</b>	<b>YoM</b>	<b>Model</b>
<b>1</b>	TCD402EAC	Sec Infrastructure	- 49,477.50	2011	Toyota LANDCRUISER
<b>2</b>	TCD168EAC	EAC Sec	10,000.00	2013	Nissan PATROL
<b>3</b>	TCD476EAC	Sec - CTC	111,423.40	2013	Toyota LANDCRUISER PRADO
<b>4</b>	TCD1013EAC	Sec - Pool	54,679.00	2014	Mercedes-Benz GL500
		<b>TOTAL</b>	<b>225,579.90</b>		

The Audit Commission further noted that three (3) assets with a total value of USD 162,278.43 recorded in the assets register were not insured. The situation suggests a potential discrepancy, indicating that the recorded assets may not actually exist and could imply a loss of the motor vehicles. The assets associated with this situation are outlined in Table 2.1.6 below.

**Table 2.1.6: Assets not insured but recorded in EAC Secretariat's books**

	Asset CODE	Description	Name	Base Value	Gross
1	TCD64EAC	Landcruiser	Motor Vehicles	31,932.44	
2	TCD85EAC	Nissan X trail	Motor Vehicles	20,393.25	
3	TCDM1EAC	Mercedes-Benz GL500	Motor Vehicles	109,952.74	
		Total		162,278.43	

**(i) Assets not insured but recorded in EAC Secretariat's books**

Management reported that the four mentioned assets were insured and recorded in the asset management register. Management committed to finalise the cleaning of the register so that the mentioned assets can be identified clearly. The Table below shows both asset codes and barcodes of the said assets.

**Table 2.1.7: Assets insured and recorded in EAC Secretariat's books**

	Asset code	Barcode	No Plate	Location	Amount	Year	description
1	SCTCD64EAC	CDCEAC402	TCD402EAC	Sec - Infrastructure	49,477.50	2011	Toyota Landcruiser
2	APMV001	APMV001	TCD168EAC	EAC Sec	10,000.00	2013	Nissan Patrol
3	SCTCD476EA	SCTCD476EA	TCD476EAC	Sec - CTC	111,423.40	2013	Toyota Landcruiser Prado
4	SCTCDM1EAC	SCTCDM1EAC	TCD1013EAC	Sec - Pool	54,679.00	2014	Mercedes-Benz GL500

**(ii) Assets not insured but recorded in EAC Secretariat's books**

Management clarified that the assets mentioned above were insured as indicated in the Table below.

**Table 2.1.8: Details of Assets insured and recorded in EAC Secretariat's books**

	No. Plate	Motor Vehicle	Assets Category	Gross book value	Clarification
1	TCD64EAC	Landcruiser	Motor Vehicles	31,932.44	This vehicle is TCD 402 EAC with asset code SCTCD64EAC and barcode is CDCEAC402
2	TCD85EAC	Nissan X trail	Motor Vehicles	20,393.25	
4	TCDM1EAC	Mercedes-Benz GL500	Motor Vehicles	109,952.74	This is the Mercedes Benz GL500 with number Plate TCD 1013 EAC. It was insured with policy risk note NO 4937 Asset code is SCTCDM1EAC

**Committee Observation**

The deficient controls over asset management raise concerns about the potential for asset misappropriation, leading to losses for the Community.

**Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management:***

- i. Conducts a comprehensive analysis of the reported information and implements adjustments to rectify identified errors and includes the cost of clearing motor vehicles in their valuation in accordance with Paragraph 30 of IPSAS 1;***
- ii. Undertakes a thorough investigation to establish the accurate status of the Community's assets including lost assets and those held by third parties; and***
- iii. Carries out a complete review and clean-up of the asset register by retaining only existing assets while recognizing losses for those confirmed as lost.***

## **2.1.6 REVIEW OF ACCOUNTS PAYABLE**

### **2.1.6.1 Long Outstanding Creditors**

The Audit Commission report on the statement of financial position reflects payables of USD 3,061,098 as at 30 June, 2023. However, from the review of creditors' records the Audit Commission revealed that payables amounting to USD 437,196.13 had been outstanding for over 90 days as at the 30 June, 2023. The EAC Secretariat is in breach of Policy 4.4.4. (c) of the EAC Financial Procedures Manual, 2013.

Management reported that the long outstanding creditors remained an issue due to delays in disbursement by Partner States. Management however clarified that it constantly follows up with Partner states to disburse their contributions by Sending debit notes, having a standing agenda in the Council meetings on the same, Telephone calls and Physical visits. Management further clarified that during contract preparation, EAC negotiates with its service providers appropriate credit period ranging from 30 days and beyond, which are in line with the frequency of Partner States remittance of their annual disbursements to EAC.

### **Committee Observations**

- i. The EAC Secretariat risks incurring additional costs from accounts payables that would attract interest when payment is delayed; and***
- ii. Suppliers of goods and services may lose confidence in dealing with the Secretariat which may consequently adversely affect operations.***

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to make payments in compliance with the EAC Financial Procedures Manuals, 2013, thereby avoiding mistrust by suppliers and ensuring the effective implementation of planned activities.***

### **2.1.6.2 Long Outstanding balances under Other Current Liabilities**

The Audit Commission reported that the statements of financial position reflects a balance of USD 2,149,355 in respect of Other Current Liabilities as at 30 June, 2023. Included in this amount is USD 38,215 in respect of Funds for Oil Pipeline contributed by two Partner States. Review of records confirmed that the pipeline project was cancelled in February, 2018. Further, this amount has been reported in previous financial statements under other current liabilities. Similarly, included in the balance of USD 2,149,355 is an amount of USD 19,950 relating to contribution from the private sector. Although no records were provided to establish the origin and purpose of the said funds, review of available information indicates that these funds were transferred to EAC books in October, 2019 and has since been reported under other current liabilities.

Management took note of the recommendation of the Audit Commission and committed to implement by recognising as miscellaneous income the amounts of USD 38,215 and USD 19,950 and reporting the same to the forthcoming meeting of the Council of Ministers.

#### **Committee Observations**

- i. Non-Compliance with IPSAS 1, Par. 80 (d) against classifying liabilities as current.
- ii. Non adherence with Section 1.12.11 (f) of the EAC Financial Procedures Manual 2012 in dealing with funds relating to a project that ceased to exist.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to consider the liability of USD 38,215 as a contribution by the Member States to be utilized as appropriate, and to recognize USD 19,950 from the private sector as miscellaneous income.***

#### **2.1.6.3 Unsupported Staff medical/life insurance refunds**

The Audit Commission noted that the statement of financial position reflects payables balance of USD 3,061,098 as at 30 June, 2023. Included in this balance is an amount of USD 204,517.05 relating to Medical/life Insurance Staff refunds. However, review of medical/life insurance staff refunds records confirmed that an amount of USD 2,427.99 was not supported by any documentation that identifies the beneficiaries. In absence of documentation, it was not possible to confirm authenticity of the refunds amounting to USD 2,427.99.

Management concurred with the audit findings and clarified that EAC secretariat sent several emails to the insurance companies requesting them to clarify the beneficiaries/staff or Members of Parliament of the money sent to EAC as the banks were not able to specify the beneficiaries. Management clarified that payment are made as long as the information about the beneficiaries is received. The amounts remained under EAC liabilities as the payment will wait until clear indication of the beneficiary is received from the insurance company. Additionally, there is a court case that is yet to be concluded (Ex. the case of Kirera). Management will consequently take a decision on how to treat this outstanding liability.

#### **Committee Observation**

Accuracy of Medical/Life Insurance staff refunds of USD 204,715.05 is not confirmed.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management establishes the authenticity of staff refunds amounting to USD 2,427.99, or considers a write-off if the bona fide beneficiaries are not identified.***

#### **2.1.6.4 Unreconciled Payable Balance with Arusha International Conference Centre**

From the review of payment to AICC and verification of EAC occupied offices at AICC, the Audit Commission noted that payment of USD 83,874.40 was made on 27 March, 2023 for the office rent of five (5) months from October 2022 to February 2023. This amount covers an office space equivalent to 1,777 SQM at the rate of USD 8 per SQM resulting in a monthly rent of USD 14,216 excluding VAT. The space occupied by EAC at AICC is as follows.

**Table 2.1.9: EAC offices at AICC Building**

<b>Floor</b>	<b>Space in Square Metres</b>	<b>Number of Offices</b>	<b>Vacant Offices</b>
<b>4<sup>th</sup> Floor</b>	151	19 offices (11 for EACA & 8 for EAC)	2 (for EAC-446, 447)
<b>5<sup>th</sup> Floor</b>	847	38 offices	3 (527, 550, 554b)
<b>6<sup>th</sup> Floor</b>	779	44 offices	10 (619, 620, 624, 622, 621, 625, 651, 653, 655, 663)
	1,777	101 offices	15

The Audit Commission further identified the following anomalies: (a) EAC was paying rent for offices that are currently not required; (b) The Square Metres (SQM) of each floor has not been split into SQM per offices which would enable EAC management to confirm the actual space it occupies; (c) Reviewed record show that AICC still has outstanding claims from EAC based on their invoice dated 30 June, 2023 that shows an outstanding claim of USD 193,449. EAC records however indicate payables of USD 67,100 to AICC as at 30 June, 2023; (d) The contract with AICC expired on 29 February, 2023, Management could not provide any evidence to indicate that the contract has been renewed.

Management reported that the payment was based on signed contract between 2 parties considering the current and expected needs of office space. By the time of signing the contract, the space rented was fully occupied. During the contract period, few offices were released by staff whose contracts ended. The EAC is renting office space on floor basis and not rooms basis. Management clarified that only 6 rooms were vacant (527, 550, 552, 651, 653, 655) and given the then ongoing planned recruitment, vacant rooms were anticipated to be occupied. Management further clarified that the contract with AICC was at advanced stages of renewal. The Contract was reviewed by legal unit, signed by AICC management and awaiting clearance by the Secretary General. Management reported that EAC paid rent up to February 2023 but the outstanding amount of USD 67,100 was for 4 months from 1<sup>st</sup> March to 30<sup>th</sup> June 2023. Regarding the unreconciled balance of USD 126,349 (USD 193,449 - USD 67,100), the amount was disputed since 2009. The AICC failed to present sufficient supporting documents. Management reported that during the meeting of 14<sup>th</sup> December 2018, AICC was requested to present the contracts to support the said outstanding amount; Order of the rent space from EAC; Invoices totalling the said amount; Evidences why EAC should pay bills for East Africa Local Government Authority and GIZ included in some invoices but the said documents were never presented. Management promised to convene a meeting with AICC management to sort out the issue.

### **Committee Observations**

- i. Paying rent for offices not needed by the EAC is a misuse of resources as it creates a wasteful expenditure.
- ii. Without splitting the office space in to square Metres per offices pose the risk that EAC may be paying for spaces that it does not occupy and also does not provide flexibility to vary the number of offices it requires at any given time.
- iii. Failure to reconcile with the supplier on the amounts outstanding may pose a risk of future disputes over the unreconciled amounts.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure that the EAC pays for the office spaces it occupies, reconciles the alleged payable amounting to USD 193,449 with AICC, and determines office space requirements based on staff, including only the required offices in the new contract.***

### 2.1.6.5 Unrefunded Borrowings from General Reserve Funds

The Audit Commission report revealed that the EAC Secretariat, Organs and Institutions had borrowed a total of USD 16, 100,394 from the General Reserve Funds, as at 30 June, 2023. Records provided for review confirmed that only an amount USD 9,520,051 was repaid during the year resulting in an outstanding amount of USD 6,580,343 as detailed in Table 2.1.10 below.

**Table 2.1.10: Borrowing for General Reserves**

<b>Organ/Institution</b>	<b>Amount Borrowed USD</b>	<b>Amount Re-Paid USD</b>	<b>Outstanding Amount USD</b>
<b>EAC Secretariat</b>	3,970,011	2,137,011	1,833,000
<b>EALA</b>	10,061,040	6,097,185	3,963,855
<b>EACJ</b>	1,686,423	1,045,855	640,568
<b>EASTECO</b>	382,920	240,000	142,920
<b>Total</b>	16,100,394	9,520,051	6,580,343

Management took note of the Audit Commission recommendations and clarified that: (i) The sustainable funding mechanism was approved by the EAC's Summit during its 23<sup>rd</sup> meeting of November 2023; (ii) The borrowing from General Reserve was due to the delays in Partner States Contributions which led to liquidity Challenges; (iii) The EAC's Organs and institutions that borrowed from general reserve will repay the borrowings if the liquidity challenges is solved. Otherwise, as per the Council directive EAC/EXCM 47/ directive 06. EAC Organs and Institutions have to settle their legal obligations returning the money to General Reserve Account

### Committee Observation

The trend indicates there is over-reliance on the general reserve to finance activities of the Community which may affect operation when the reserve is depleted.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to fast track the implementation of the sustainable funding mechanism and set ceilings for borrowings from the General Reserves Fund, thereby ensuring the availability of funds in case of emergencies.***

### 2.1.6.6 Borrowing of Project Funds for Operations

The Audit Commission report on the review of Bank transactions for EAC Secretariat main account and Support for EAC Confederation Project bank account revealed that an amount of USD 71,000 was withdrawn from the project account on 22 July, 2022 and deposited to the EAC Secretariat account. Although the amount was refunded on 18 December, 2022 there was no evidence that borrowing was duly authorised. In addition, the review of records available indicate that although funds from the Partner States were received soon after the

borrowing, the funds were returned to the project five months later.

Management reported that there was an activity under Political federation in which the Summit needed an urgent update from the constitution making experts but there were no funds at that time. Management gave clearance to borrow from project fund. However, the funds were immediately replaced after receipt of partner states contributions.

### **Committee Observation**

Utilisation of development partners funds contributed for specific activities recurrent activities is irregular.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure that:***

- i. Any borrowing or transfer of funds from development bank accounts is duly approved;***
- ii. Project funds are used strictly for their intended objectives in accordance with agreements between the financier and the EAC with timely refunds where specific approval is granted for other purposes; and***
- iii. Basic guidelines are developed for internal borrowing without constraining operations or flouting policies and regulations.***

## **2.1.7 REVIEW OF EXPENDITURE MANAGEMENT**

### **2.1.7.1 Improper Reporting of Internet Cost Incurred by EAC Secretariat**

The Audit Commission report on the Maintenance of Computers & Network Infrastructure expenses records for the financial year ended 30 June, 2023, show that the EAC Secretariat incurred a cost of USD 329,597 (inclusive of VAT) for the provision of dedicated high-performance internet for email services and MPLS connection. The service was to be provided to six (6) ministries responsible for EAC affairs, EAC Headquarters, and five (5) institutions of the Community, namely EASTECO, LVBC, EAKC, EAHRC, and LVFO. The service contract, initially covering the period from 01 January 2022 to 31 December 2022 which was extended by an instrument of variation to last until 31 December 2023. Of the total contractual cost, USD 17,177.28 is allocated to EAC-HQ, shared among three organs based at the Headquarters: EAC Secretariat, EACJ and the EALA. However, the Audit Commission identified that; (a) Expenses associated with the six (6) ministries responsible for EAC and the five (5) institutions, totalling USD 312,420.48, were not analysed per entity in either the invoice or the contract. (b) Each entity incurred USD 28,401.86 per annum. Similarly, when the cost related to the three Organs of the Community was equally allocated, each Organ incurred USD 5,725.76. The discrepancy in costs raises questions about the fairness of the allocation and whether it accurately reflects the utilization of services by each entity involved. (C) The invoices provided by the vendor were accompanied by performance reports for the quarters spanning January 2023 to March 2023 and April 2023 to June 2023. However, a notable absence is the third-party endorsement or report from the six ministries responsible for EAC and the five Institutions of EAC, verifying the accuracy of the performance reports or confirming that the services were provided in accordance with the terms specified in the contract. (d) The internet service in the six ministries responsible for EAC and the five Institutions of EAC was specifically designated for video conferencing facilities installed in respective areas. However, these facilities are used primarily during interviews which may occur only once a year. This raises concerns about the justification of the internet costs incurred and paid, as the service appears to be underutilized.

Management reported that this was a record keeping anomaly and the EAC secretariat is responsible for procurement of centrally consumed services such as internet in order to benefit from economies of scale.

### **Committee Observations**

- i. The absence of proof of service certified by users for the invoices submitted by the internet service provider (Liquid Telecommunication) presents an opportunity for the service provider to be paid for services not actually provided.
- ii. The adoption of a blanket cost for the five EAC Institutions and six ministries responsible for EAC limits an objective analysis of the service provided. This situation may have resulted in the EAC Secretariat being charged unreasonably, as the analysis of average cost per annum indicates significant inflated prices.
- iii. Entering into a holistic annual contract for a service that is infrequently used may result in significant spare capacity, exposing the Community to wasteful expenditure.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to:***

- i. Conduct a comprehensive cost-benefit analysis on the usage of video conference facilities and the benefits accruing to the Community exploring available platforms such as Zoom and Microsoft Teams and their integration with existing infrastructure to potentially reduce substantial costs; and***
- ii. Implement measures ensuring that service providers are not paid unless proof certified by users is provided, thereby avoiding payments for inadequately substantiated services.***

#### **2.1.7.2 Payments Made to Suppliers on Incomplete Tasks**

The Audit Commission reported that the Community entered into contract No.: TZ-EAC-196248-CS-QCBS with ICT Consults Limited for the supply, installation, achievement of operational acceptance, and support of a fully compatible EAC Regional Consumer Price Index (CPI) software, with a total contract value of USD 286,755. The contract included five phases, and payments were subject to the completion of activities in each phase, confirmed by a validation report issued by the Evaluation team from the East African Community Statistics Development and Harmonization Regional Project (EAC Stat – DHRP). However, the Audit Commission noted that the evaluation team made observations but recommended payment and proceeding with subsequent phases, contrary to the conditions outlined in Clause 8 of the Special Conditions of the Contract.

Management reported that the EAC Statistics Project is developing a Consumer Price Index (CPI) software which has many components. Management further clarified that the contracted firm is paid after delivering a particular component but the delivery is not captured as a whole but as work in progress until all the software components are fully delivered.

### **Committee Observations**

- i. Incomplete activities within the phases raise concerns about the functionality of the software. The failure to fully complete certain activities may result in the software not functioning as intended. In extreme cases, this could render the Consumer Price Index (CPI) inoperable, leading to a loss for the East African Community.
- ii. The absence of a defect liability clause in the contract, coupled with the payment of the entire contract value while critical activities were incomplete, poses a risk to the Community's interests. The consultant may not be sufficiently committed to completing

the software project, and there is uncertainty regarding the sharing of source codes with the Community. This lack of commitment may compromise the completion of the software project and the Community's ownership of the developed system.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management provides a detailed report demonstrating that the observations made were addressed, resulting in the proper functioning of the system as per the design requirements, and obtains the source codes from the consultant as stipulated in the Special Conditions of the Contract.***

#### **2.1.7.3 Anomalies on Insurance of Motor Vehicles**

The Audit Commission reported that on August 14, 2021, the EAC Secretariat initiated a tender (Reference no.: EAC/FW/2021-2024) for insurance brokerage services, setting the bid submission deadline for 13 September, 2021. In the bid documentation, Management identified 38 motor vehicles requiring insurance coverage, each with its respective value. Notably, two of these motor vehicles lacked assigned values. The assets outlined in the tender document included 16 items, with ownership attributed to EALA (6), EACJ (8), EABC (1), and EACA (1). Liaison Insurance (Tanzania) Ltd emerged as the successful bidder, securing the contract at a price of USD 146,010. However, from the scrutiny of insurance records, the Audit Commission identified the following anomalies: (i) The EAC Secretariat opted to insure only 31 vehicles. However, the insured vehicle included 11 vehicles that were not initially specified in the bid documents; (ii) The Secretariat insured a total of 32 motor vehicles under COMESA insurance, incurring a total premium cost of 3,436.16. The decision to secure COMESA insurance cover for these motor vehicles should have been based on a need basis, aligning with the actual requirements for cross-border travel. (iii) Several irregularities were identified in the insurance of 5 pick-ups and 3 buses donated by the Government of China. According to the assets register and customs clearance documents, the pick-ups were valued at USD 23,914.01. However, during the insurance declaration, the motor vehicles' value was inflated to USD 53,100, representing a significant inflation of 115%. Consequently, the premium for these vehicles was also inflated by USD 5,107.55.

Management reported that at the time of formulating the insurance policy, the 5 pick-ups and 3 buses donated by the Government of China were not registered because they were not yet valued. However, during the subsequent year, all the vehicles were insured. Management decided to insure all assets which were not in use as well as those earmarked for disposal as per advice of the Audit commission.

#### **Committee Observations**

- i. The issue of double insurance raises significant concerns regarding the accuracy and consistency of the insurance coverage for the specified vehicles. Based on the information provided in the Cover Notes, it is evident that the Range Rover Vogue was not insured during the specified period.
- ii. The acquisition of COMESA insurance for all EAC Secretariat's motor vehicles, including one from EABC, is considered wasteful expenditure.
- iii. The absence of proper valuation for motor vehicles raises the risk of over-insurance, leading to potential losses when applying the insurance principle of Indemnity. Conversely, under-insurance could also result in a loss position for the EAC Secretariat in the event of an insured incident.

#### **Committee Recommendations**

**The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to:**

- i. Conduct regular assessments to accommodate new assets, eliminate disposals, and review insurable values when procuring insurance coverage to mitigate risks of over-insurance and under-insurance; and*
- ii. Consider taking COMESA insurance cover on a need basis by conducting thorough assessments of motor vehicles that frequently cross borders, thereby enabling informed decisions on whether to obtain COMESA insurance for the entire fleet for the entire year following a cost-benefit analysis.*

#### **2.1.7.4 Tickets purchased at prices exceeding ceiling set in the Budget Guidelines**

The Audit Commission report on examination of seventy-seven (77) sampled payments for air ticket revealed fifteen (15) instances totalling USD 15,034 where tickets for staff and delegates travelling in economy and business classes within the region were purchased at prices that exceed limits stipulated in the budget guideline.

**Table 2.1.11: Tickets purchase at prices above Budget Guidelines ceiling**

<b>Journal No.</b>	<b>Route</b>	<b>Class</b>	<b>Dates</b>	<b>Amount USD</b>	<b>Air ticket price ceiling within the region</b>	<b>Variance USD</b>
<b>146293</b>	JRO/KGL/JRO	Economy	26-10-22	842	500	342
<b>146301</b>	NBO/EBB/NBO	Economy	13-11-22	592	500	92
<b>146309</b>	DAR/NBO/JRO	Economy	28-10-22	1,334	500	834
<b>146308</b>	NBO/ETB/ETB/ NBO	Economy	4-10-22 & 7-10-22	664	500	164
<b>146305</b>	NBO/ADD/BOM /ADD/NBO	Economy	13-11-22	1,023.51	500	523.51
<b>143622</b>	JRO/NBO/JRO	Economy	13-2-23	656.60	500	156.60
<b>144479</b>	NBO/LUN/NBO	Economy	11-7-22	988.88	500	488.88
<b>144479</b>	JRO/NBO/LUN/ NBO/JRO	Economy	12-7-22	1,138.88	500	638.88
<b>144479</b>	JRO/NBO/LUN/ NBO/JRO	Economy	10-7-22	1,439.88	500	739.88
<b>151858</b>	JRO/EBB/EBB	Economy	8-5-23	632	500	132
<b>151859</b>	NBO/JRO/NBO	Economy	13-1-23	685	500	185
<b>151888</b>	JRO/KGL/KGL/J RO	Business	16-5-23	1,491	1,000	491
<b>151888</b>	JRO/EBB/EBB/J RO	Business	16-5-23	1,336	1,000	336
<b>151888</b>	JRO/NBO/NBO/ KGL/KGL /NBO/JRO	Economy	16-5-23	749	500	249
<b>151888</b>	JRO/NBO/NBO/ KGL/KGL/ NBO/JRO	Business	22-5-23	1,460	1,000	460

Management reported that on an annual basis the, EAC Planning and Budgeting Committee

as part of the planning and budgeting process, approves Budgeting Guidelines for Budgeting process and rates of various items such as tickets and conference package, which are proposed based on prior financial years and market prevailing rates. Through its Planning and Budgeting Committee, management made proposals to the Council regarding rates of air ticket. In the FY 2023/2024 the Council approved USD 600 per ticket for economy class and USD 1,100 for Business class.

#### **Committee Observation**

Ticket purchased at prices above budget guidelines ceiling may cause over expenditure in this budget item which would result in re-allocation of resources and ultimately affect other activities for which funds were voted for.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure that stringent controls and processes guaranteeing price ceilings during the acquisition of air tickets are established and strictly adhered to.***

#### **2.1.7.5 Irregular Charge of Subsistence Allowance Expenses**

The Audit Commission sampled 360 transactions relating to the subsistence allowances with a total amount of USD 1,768,141. Out of which, one hundred and seventy-three (173) transactions with a value of USD 993,144 was in respect to expenditure reported as subsistence allowance to delegates. However, the supporting documents for 142 transactions with total expenditure of USD 235,420 indicated that the underlying payments were made to staff instead of delegates as reported in the financial statements. Although Management subsequently posted adjustments to correct the mischarge, budgetary and expenditure posting controls were not observed resulting to corrected errors

Management clarified that despite the noted reallocation within the Daily Subsistence Allowance Account Code that is between DSA for Delegates and DSA for staff, this was done to ensure that activities without adequate budget are provided budgetary resources for their execution. Management further clarified that the reallocation did not change the nature of expenditure, as the two account codes are consolidated in the financial reports but more importantly, the activities as planned and appropriated were fully implemented. Management reported that intra-account code reallocation is supported by Council Decision of the 32<sup>nd</sup> Meeting of the Council (August, 2015), which gave authority to the Secretary General and Heads of Organs/Institutions to make such reallocations up to a certain extent (EAC/CM32/Decision 03). Management however committed to ensure that adequate budget provision is made under each of these two account codes, to control the extent of the reallocation to be made. The necessary review of the Chart of accounts in this regard will also be made.

#### **Committee Observation**

Utilisation of funds on unplanned activities.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management enhances the review and approval of transactions posted to the ledger and adheres strictly to the approved budgetary provisions.***

### 2.1.7.6 Inadequately Supported Travel Expenses

The Audit Commission report on the Daily Subsistence Allowance (DSA) retirement records revealed transactions that they were not adequately supported by appropriate documents as indicated in Table 2.1.12 below.

**Table 2.1.12: Inadequately Supported Transactions**

Account No.	Description	Transaction Amount	Journal No.	Transaction Reference	Audit Remarks
2230115	DSA or 1/4DSA - Delegates	3,150	145266	IMP/SEC/014116	Same activity changed to a different budget line. Basis for the allocation of the amounts to the various budget line could not be confirmed
2230115	DSA or 1/4DSA - Delegates	6,300	148259	IMP/SEC/014253	Several budget line used for the same retirement affecting traceability. In addition, the retirement form does not provide an analysis of how the expenditure was distributed to the various imprest issued. An amount of USD 4,200 was paid to persons indicated as consultants with no details on how they were identified.
2230114	DSA or 1/4DSA - Staff	400	147795	IMP/SEC/014365	Same expenditure was allocated to different expenditure line
2230115	DSA or 1/4DSA - Delegates	5,500	151264	IMP/SEC/014695	Partial posting not supported by the imprest retirement form.
2230115	DSA or 1/4DSA - Delegates	7,050	152152	IMP/SEC/014732	Although the total amount paid to delegates was USD 11,200 the recognized amounts charged to the line expenditure was USD 7,050 the remainder was charged to other expenditure lines.
2230114	DSA or 1/4DSA - Staff	2,450	152275	IMP/SEC/014857	The total expenditure was USD 2,800 split in the ledger into two budget lines with no reason for splitting
2230115	DSA or	6,099	151531	IMP/SEC/NATIO	Allocation of the

	1/4DSA – Delegates			NAL STAKEHOLDERS	expenditure could not be supported by the retirement form
<b>Total</b>		30,949			

Management clarified that majority of the cases identified related to budget lines charged across different activities that had budget balances after they were fully executed and had some unutilized budget, which was reallocated to fund other underfunded activities. This was implemented in compliance with the EAC Council Decision **EAC/CM32/Directive 03** – which authorises the Secretary General and Heads of Institutions to reallocate between budget lines to a certain extent. Management further clarified that activities undertaken after the end of the financial year were originated before the 30<sup>th</sup> June 2023 straddled to the new financial year. This was therefore correctly reported in the FY under review. Management further took the advice of the Audit Commission and committed to comply with the provisions of the EAC Financial Rules and Regulations 2012.

### Committee Observation

The accuracy, regularity and completeness of the posted transaction and hence the financial statements could not be confirmed.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure that financial resources are properly utilized and that all retirements are thoroughly analyzed and cross-referenced with their respective supporting documents.***

#### 2.1.7.7 Anomalies in Air Tickets Staff

The Audit Commission report on utilization of air tickets by staff revealed anomalies as follows: (i) An instance was noted where the initial purpose of journey was changed as shown by the ticket utilization certificate. The itinerary and actual travel dates also differed ;(ii) An instance was also noted where staff members travel by air but the travel requisition or invitation to the function was not attached; and (iii) In one instance travel dates were not indicated in any of the documents supporting the invoice.

Itinerary and Initial Purpose of The Journey	Activity and Actual Dates	Route as Per Requisition	Confirmed Route by User	Amount (USD)	Audit Observations
Meeting of EAC Audit & Risk Committee – 26 June to 1 July 2023	Attending Burial - Representing EAC 5th-7th Aug.2023	DAR- MBI-JRO	JRO- BMJ-JRO	321	Original purpose of journey changed to attending a burial. No correspondence to this effect attached to the PV. Itinerary and actual travel dates differed.

Supplementary budget to support EAC participation of UNFCCC COP 27 in Egypt – 6 to 19 November 2022	Supplementary budget to support EAC participation of UNFCCC COP 27 in Egypt 6th to 18th Nov.2022	N/A	JRO-SSH-JRO	6,500	Travel requisition or invitation for this safari was not attached
43rd council of Ministers – 19 to 23 February 2023	43rd council of Ministers – Dates not indicated	N/A	JRO-BJM-JRO	4,821	Actual travel dates not indicated in any of the supporting documents

**Table 2.1.13: Anomalies in Air Tickets Staff**

Management clarified that all travels were planned and related expenses were appropriately charged. To this end, management was in the final stages of implementing the Requisition and Accountability Management System (RAMS) which will be used for Meeting/Activity; Travel and other forms of Requisitions. The system was integrated with other currently operational systems like SUN System, and allows for all relevant supporting documentation to be attached to uniquely referenced Travel Requisitions. Management committed to improve preparation and filling of travel documentations and Requisition forms together with all supporting documentation.

#### **Committee Observation**

Lack of consistency in documentation may create loophole for unauthorised journeys.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure that stringent controls are applied to the documentation for air tickets.***

#### **2.1.7.8 Avoidable Travel Expenses**

The Audit Commission reviewed imprest retirement records and reported instances where travel expenses which could have been avoided were incurred as indicated below;

#### **Payments to Partner State Delegates to Undertake Reconciliation of Receivables**

The EAC Secretariat paid Daily Subsistence allowance (DSA) and air tickets amounting to USD 12,575 on 25 November, 2022 to five (5) delegates from a Partner State to undertake reconciliation of the receivables for the Partner State. (i) However, the total outstanding balance from the Partner State as per the audited financial statements for the financial was USD 6,478 which cast doubt on the value for money from the reconciliations. (ii) There was no evidence that there was any reported dispute of the receivables balance. (iii) Reconciliations of account balances is a Management responsibility rather than a delegate's task that could have been addressed through correspondences and or online meeting in case of any dispute. (iv) The meeting requisition and approval was done on 22 November, 2022 while the delegates had already arrived in Arusha, which suggest that the travel had not been planned in advance or the delegates had their own travel arrangement/ facilitation.

#### **Payment to Staff for BMS Data Recovery and System Restoration**

The EAC Secretariat incurred expenditure of USD. 29,070 for a meeting held in Moshi-

Tanzania for BMS Data Recovery and System restoration between 4 September, 2023 and 9 September, 2023. This was occasioned by an attack on EAC servers with ransomware. The cost included an amount of USD 19,950, USD 7,000 and USD 2120 in respect of DSA for Staff, DSA for Delegates and Conference cost. However, the EAC Secretariat had contracted and paid a supplier (M/s. Serensic Africa) to respond to the ransomware attack and restoration of systems on 20 June 2023 vide LPO No. PON/SEC/011150. According to the vendor's terms of reference one of the deliverables was to recover encrypted systems, data and restore normal operations. No records were provided to indicate the how the BMS activities that were being carried out after the system was restored by the vendor and the need to have another recovery and restoration more than three months since the vendor had restored the data.

Management reported that the activity related to a visit by the Parliamentary Budget Committee of Republic of Uganda, accompanied by officials from the Ministry of EAC Affairs who came to confirm the Partner States outstanding balances across all Organs/Institutions of the Community. This activity aimed assessing how much exactly the partner state needed to approve as budgetary releases to each of the EAC Organs/Institutions, not only those funded through the EAC Secretariat but also those funded directly like the Inter-University Council of East Africa (IUCEA) and Lake Victoria Fisheries Organization (LVFO). Management further clarified that these working visits from Partner States go a long way to provide EAC Partner States much needed information to enable them make contributions to EAC forthcoming as was the case for the Republic of Uganda in the FY 2022/2023 under review.

Management reported that the EAC uses Budget Management System (BMS) to prepare Annual Operational Plans and the annual Budget estimates. The BMS was developed by University of Dar es Salaam Computing Centre (UCC). The BMS is populated with static data derived from 6th EAC Development Strategy and dynamic data derived from yearly pre budget conference agreed priorities. All this data was wiped by the ransomware and the contracted (M/s. Serensic Africa) only secured the environment and non-financial systems. The report delivered by M/s. Serensic Africa indicated the BMS among other systems was not operating hence necessitating the activity in question and the report is available. The vendor of the BMS was called upon to reconstruct the data from plan hierarchy to budget data that contains EAC budget estimates for FY 2023-2024 which were yet to be repassed by EALA. The work of reconstructing entire EAC Organs and Institution was enormous and tedious which took so long to be accomplished. The activity was critical to restore the EAC Organ and Institutions with correct data considered by the 48th Extra Ordinary Council of the Ministers. Management confirmed that there was no duplication of payment to any delegates and/or services provider(s) for any services whatsoever and all activities had management authorization. The restoration of BMS was done by M/S University of Dar es Salaam Computing Centre which supports the Budget Management Systems (BMS).

### **Committee Observations**

- i. The EAC Secretariat might have incurred money for an unplanned activity at the expense of a planned activities;
- ii. Double payment of allowance for the delegates for an activity planned and facilitated by the Partner States;
- iii. Wasteful use of resources since the activities could have been performed without incurring travel costs.
- iv. Facilitation to perform task already contracted and paid for amount to wastage of resources.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to carry out a cost-benefit analysis on planned activities to ensure that the Community's resources are utilized efficiently, and to devise controls to ensure that no activity is facilitated or paid without prior authorisation.***

#### **2.1.7.9 Possible Manipulation of Documents to Circumvent Cut-Off Principle**

The Audit Commission report on review of record in respect on assets additions, revealed instances of intentional document falsification to align with management's preference for reporting financial and other resources of the Community by the deadline of 30 June, 2023, despite activities extending beyond the current accounting period. The audit noted procurement of a printer, where a Request for Quotation was issued on 26 June, 2023, with a deadline of 30 June, 2023, at 11:00 am. However, on 29 June, 2023, one day before the deadline, an evaluation was conducted, involving only two suppliers, M/s MFI Document Solutions Limited and M/s MICA Computers Limited, contrary to procurement guidelines requiring quotes from at least three suppliers. M/s MFI Document Solutions Limited was selected as the successful bidder at USD 5,490 VAT inclusive. A Local Purchase Order (POA/SEC/001945) was raised on the same day (29 June 2023) for M/s MFI Document Solutions Ltd. Further scrutiny revealed discrepancies, such as the quotation from MFI dated 30 June, 2023, a day after the evaluation, making evaluation on 29 June 2023, impossible. Delivery Note for the asset was dated and signed on 30 June 2023, while the document was printed on 10 July 2023. On the same day (10 July 2023), the supplier issued fiscal invoice TZDAR-IN-0053010 for the asset. The Goods Inspection Form was also backdated to 30 June 2023, instead of the actual inspection date, which should not be earlier than 10 July 2023. This pattern was noted in more than 6 out of 69 tested asset additions, indicating a deliberate and frequent problem.

Management reported that this was related to some assets that were procured towards the end of the financial year 2022/2023. The challenge was that the assets were delivered at the end of the financial year and stores raised Goods Received Note on a date that appeared towards the end of FY 2022/2023 but not the date when it was received. However, all the procurement process were done following the due procedures for instance, raising LPOs. Management further informed the Committee that the Secretary General has issued Financial Year end guidelines in order to ensure that enough time for deliveries to be done within the financial year and all requisitions be raised by 15<sup>th</sup> May in order to avoid obvious queries. The cut off timelines ensure that assets delivered by 30th June are captured.

#### **Committee Observations**

- i. The intentional falsification of documents raises concerns about the accuracy of asset reporting. There is a risk that the assets are materially overstated in the financial statements, impacting the overall reliability of the statements.
- ii. The manipulation of transaction dates creates a potential for recording transactions with fictitious suppliers in the books of account. This introduces the risk of fraudulent transactions, compromising the integrity of financial records.
- iii. The deliberate backdating of documents may also result in a material misstatement of expenditure. If similar trends are observed on the expenditure side, it could impact the accuracy and reliability of reported expenses in the financial statements.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management reinforces system controls, specifically around the posting of transactions, by ensuring that documents such as Goods Receipt Notes (GRNs), Local Purchase Orders (LPOs), and Journals accurately reflect the actual***

***dates when they were effected in the system, thereby contributing to transparency and accuracy in financial reporting.***

#### **2.1.7.10 Irregularities on Repair and Maintenance Cost for Motor vehicles**

The Audit Commission reported that the EAC Secretariat incurred repair and maintenance costs totalling USD 74,022 in the year under review. A sample of USD 38,713 was selected from these expenditures for verification and analysis. Scrutiny of repair and maintenance costs revealed several irregularities; (i) Expenses amounting to USD 12,856 were incurred without an independent mechanic verification to determine the condition of the vehicles both before entering and after leaving the garage which made it difficult to confirm whether the vehicles mechanical defects were authentic and the repairs were indeed conducted; (ii) Breakdown of the motor vehicle (Toyota Landcruiser Prado TXL) assigned to a Defence Liaison Officer (DLO) occurred near Nyakanazi in the Kagera Region over 800 kilometres from Arusha. The repair was carried out in Arusha by the regular vendor, Aaron Auto Engineering. The corresponding proforma invoice included towing costs and indicated the use of a request for quotation, citing quotations received from three vendors. The repair services could have been sourced from Toyota authorized agents near the incident site i.e. Mwanza, rather than transporting the vehicle to Arusha. The total cost involved in this transaction was TZS 7,400,000 an equivalent of USD 3,198; (c) The supplier, Aaron Auto Engineering, submitted an invoice amounting to TZS 2,039,925, claiming the Insurance Policy Excess without including VAT. However, the documents supporting the insurance policy for the motor vehicle excess indicate that the Excess Policy amount should be 5 percent of the claim or TZS 350,000, whichever is higher. The Repair Authorization document for claim no. C/103/1002/2022/000036 issued by the insurer, Strategy Insurance, specified a Policy Excess of TZS 853,750. The manipulation occurred during the computation of the amount, despite the breakdown already being provided in the Repair Authorization issued by the insurer. According to the Repair Authorization, the assessed repair cost after betterment was TZS 17,075,000, out of which the Policy Excess was determined to be TZS 853,750 (5%). However, the Acting PAO recalculated the amount to TZS 2,039,925 using the gross amount of TZS 21,181,000 and the cost covered by the insurer of TZS 19,141,075, both of which are VAT inclusive. It's important to note that the Policy Excess is VAT exclusive, and the calculation should have been based on the claim covered by the insurer, which was TZS 17,075,000 VAT exclusive.

Management informed the Committee that plans were underway to include in the new structure a fleet management officer who will be responsible for verifying the condition of motor vehicles both before they are taken to the garage and after the completion of repairs, enhancing accountability and preventing potential losses. Management further reported that the planned retreat of the Permanent Secretaries among others would be to review and recommend for approval the structure of EAC and Institutions. With regard to excess payment, VAT on policy excess would be recovered through the normal VAT claim process.

#### **Committee Observation**

The absence of a specialized person, such as an expert mechanic, to verify the condition of motor vehicles before and after repair or maintenance by the garage introduces the risk of the Community incurring costs for services that may not have been appropriately rendered.

#### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to:***

- i. Conduct a thorough review of documents to ensure comprehension and coherence by cross-referencing them with other available information***

***scrutiny that could have prevented losses incurred through excess payments had the insurance policy been consulted when assessing the claim for Policy Excess; and***

- ii. Conduct a cost-benefit analysis with consideration of hiring an independent consultant or employing a mechanical technician to verify the condition of motor vehicles both before they are taken to the garage and after repairs, thereby enhancing accountability and preventing potential losses.***

#### **2.1.7.11 Expenses with No Evidence of Delivery Verified by Users**

The Audit Commission report on review of recording of expenses and payments related to service level agreements for the support and maintenance of computer equipment and software identified the following discrepancies; (i) Expenses were supported solely by contracts and invoices, while in others, expenses were backed by contracts, invoices, and implementation reports from vendors. However, the challenge arose when these reports were not endorsed or verified by users or technical personnel utilizing the respective computer equipment or software. (ii) Services were provided to related entities such as MEACA and Organs and Institutions of the EAC, but certifications or endorsements from these involved entities were absent. The expectation was that expenses would be tied to the performance of obligations outlined in the contracts, rather than being invoiced for the entire contract amount without substantial evidence of the work done. An amount of USD 547,838.57 was identified with this issue out of the total USD 668,368.89 sampled. The lack of reliable evidence that services were provided raises doubts about whether the expenses were genuinely incurred.

Management informed the Committee that those payments highlighted in the above query previously had certifications for services delivered from the sector heads of user departments overseeing the delivery of the services procured. To enhance the due diligence process in this regard, management committed that in addition to the certification by user department(s), all invoices/payment requests for services rendered outside EAC Secretariat, due diligence certification from final consumers of the services (for example Ministries of EAC Affairs in Partner States, EAC Organs/ Institutions) shall be sought as additional evidence.

#### **Committee Observation**

The Secretariat might be recording and paying for expenditure which are fictitious and have not added value to the Community. This could result in wastage of Community resources due to negligence in management of the expenditure.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to strengthen controls over expenditure management by restructuring expenditure verification, recording, and payment processes, ensuring that expenditure is committed only when there is evidence that the Community has received the goods or services from the respective supplier and such receipt has been confirmed by users.***

#### **2.1.7.12 Irregular Procurement of Software and Inappropriate Accounting for Software Costs**

The Audit Commission reported that a total of 450 Office 365 E1 annual subscriptions were expensed in the financial year 2022/23, and the concern arose regarding the allocation of this expenditure. While it was expected that the subscriptions would reflect the number of staff at the Secretariat (approximately 150), it was discovered that the subscriptions included projects,

organs, and institutions located at EAC HQ. The Secretariat absorbed the entire expenditure, while other entities could have committed and paid for their own software, considering they have their own budgets. The total cost committed and paid under this transaction was USD 53,662.50. (i) However, if the commitment was for the Secretariat alone, the amount should have been approximately USD 17,887.50. (ii) The annual subscription covered the period between April 26, 2023, and April 25, 2024, with only 66 days falling within the financial year 2022/23 (USD 9,676.84), while the remaining 300 days fell in the financial year 2023/24 (USD 43,985.66). (iii) An amount of USD 20,770.20 (VAT exclusive) was incurred to procure two software, namely Windows Server 2022 Standard - 16 Core L and SQL Server 2022 Standard Edition. The software were delivered on July 19, 2023, falling within the financial year 2023/24, but were accounted for in the financial year 2022/23.

Management provided the following clarifications: (i) The 24th Meeting of the EAC Sectoral Council responsible for EAC Affairs and Planning directed the EAC Secretariat to develop an integrated information management system for EAC organs and Institutions by June 2018 [EAC/SCEAMP24/Directive57]. Currently Email system, BMS, EAMS and e-Procurement have been centralized as directed by Sectoral Council. This saves the community from multiple licensing and the associated overhead cost across organs and institutions. Henceforth budgets and all expenses related to the Licensing of the office 365 (for email usage) and BMS are centralized at the EAC Secretariat. Licensing of the office 365 (for email usage) brings together Organs and some Institutions (EACS, EACJ, EALA, EAHRC, EAKC, EASTECO and EACA) from the software licensing practice, the bigger the number the lower the cost for the prices of license per user. The above Organs and Institutions all use one email domain (eachq.org). Microsoft offers predictable subscription-based pricing model based on numbers of subscribers; (ii) The current license users office 365 emails have been 450 users, the current license users as of per to date were 439 and the 11 remaining is the number of the staff who have either ended contract or left the community. EAC is expecting not less than 20 staff to report on duty by January 2024. (iii) Microsoft declared end of life of the window server 2008 and extended support that ended January 2023, the Community had to upgrade to the new subscription of the servers for the purpose of enhanced security of the systems. Dimension Data has an existing contract with EAC as a channel partner for Microsoft. The only service provider for office 365 is Microsoft. Payment for this kind of service can only be made by paying directly to Microsoft by using debit or credit card (of which the EAC doesn't have) or through Microsoft channel partners. Since the EAC cannot pay by debit/credit card, the only option is to pay through the Microsoft channel partner.

### **Committee Observations**

- i. The software maintenance expenses have been significantly overstated by including costs that do not belong to the EAC Secretariat in its financial statements. Moreover, the full expenditure amount was recorded in the financial year 2022/23, even though a large part of it was for the financial year 2023/24.
- ii. There is also a risk of paying twice for the same expense, as the EAC Secretariat has accounted for costs that relate to other entities.
- iii. There is no clear allocation of the excessive 450 subscriptions that were paid for by the EAC Secretariat. This means that the Community may have paid for a service that was not used.
- iv. The use of the direct method in procurement indicates a potential fraud, as there was no competition involved. This could allow the procurement staff to collude with the supplier and inflate the prices for their own benefit.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to:***

- i. Report accurately by recording only the amounts that pertain to the EAC Secretariat and the financial year 2022/23, transferring any expenditure incurred on behalf of other entities to them in accordance with prior agreements made before the purchase of software subscriptions;***
- ii. Provide a breakdown of the software subscriptions, with personal responsibility and reimbursement required from those involved in the procurement of Office 365 for any unused subscriptions; and***
- iii. Discourage direct procurements by imposing disciplinary actions on those who initiate them without valid reasons.***

#### **2.1.7.13 Double Acquisition of Internet Security Software**

The Audit Commission reported that the Community obtained FortiGate-201E network security software from Computer Centre Tanzania Ltd. This procurement, initiated through LPO No. PON/SEC/011110, included packages like Service Unified Threat Protection, Forti Analyzer-200F (FortiCare Premium Support) x2, and FortiAnalyzer-200F (FortiGuard Indicator of Compromise) x2. The resulting Invoice no. 42576, dated 12 July 2023, charged USD 14,554.12 for the software and associated services. While the invoice, LPO, and Delivery Note indicated a one-year subscription, but did not specify the start and end dates. Although, the contract and other procurement documents attached to this invoice were unrelated to these expenses, they pertained to support and maintenance for CMI software under the FSDRP Project. The Community procured Sophos XG550 network security software from Infogear Technology, as per LPO No. PON/SEC/010920. The corresponding invoice, IG-TIN-004-2023 dated 15 March 2023, charged USD 17,265 for the software subscription. Various software services under this subscription were set to expire on 24 February 2024, with e-mail protection expiring on 13 March 2024. Given that both software solutions offer the same service to the Community, acquiring them simultaneously was deemed an imprudent decision, especially considering the Community's limited financial resources.

Management clarified that: (i) FortiGate-201E network security, this firewall is purely dedicated for the Capital market Infrastructure and only connects the Capital Market Infrastructure of Partner States to the central level, this service was acquired through Procurement processes under World Bank project FSDRP. (ii) Sophos XG550 network security, (firewall) supports the Internal security control for the EAC HQ resources and this firewall was an upgrade of Cyberoam which EAC was using before and when cyber roam announced that, it has been taken over by Sophos, EAC only upgraded from Cyberoam to Sophos which is a subsidiary. (iii) The two different firewalls are needed for the separate use since the access and usability of the mentioned firewalls due to security mitigations.

#### **Committee Observations**

- i. The deliberate acquisition of two products offering the same service represents a clear misuse of the Community's resources.***
- ii. The cumulative impact of these and similar transactions, not covered in the sample but sharing similar characteristics with those described, poses a significant risk of financial loss to the Community. This loss limits the implementation of other vital activities that could have been undertaken using the resources diverted through these actions.***

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct***

***Secretariat Management to enhance controls over expenditure management by implementing thorough reviews of all procurements, involving individuals with technical expertise to provide insights into the suitability and necessity of goods and services, thereby preventing duplicate purchases.***

## **2.1.8 REVIEW OF HUMAN RESOURCES MANAGEMENT**

### **2.1.8.1 Anomalies in the Engagement of Short-Term Staff**

The Audit Commission reported that the EAC Secretariat had a total of twenty-five (25) short-term staff. The staff were contracted for a period of three months which was renewable. However, the basis for their engagement could not be established since no approved guideline was provided for audit when requested. Some of the contracts with the short-term staff had been renewed since 2013 and that position of some staff had been changing over time casting doubt on their areas of competency. Further, the remuneration of the short-term staff varied despite that the staff were contracted for similar work. In addition, some of the positions indicated in the contract did not exist in the organisation structure of the Community.

Management reported that the employment contract for short term staff as of 30<sup>th</sup> June 2023 was issued based on the approval by the 43<sup>rd</sup> Meeting of the Council of Ministers held from 19 to 23 February 2023 in Bujumbura , Republic of Burundi. The 43<sup>rd</sup> meeting of the Council directed the Secretariat to undertake an analysis on the legal, structural and financial implications of absorbing the short-term staff in the service of the Community and report to the 44<sup>th</sup> Meeting of the Council (**EAC/CM 43/ Directive 51**). Management further reported the review of the EAC Staff Rules and Regulations (2006) has taken into consideration this type of cadre of staff and provisions related to their legal framework has been catered for. Management clarified that a meeting of Human Resource Advisory Committee that took place on 17 June 2023 agreed on the framework related to the payment of salary of short-term staff. Management reviewed the staff rules and regulations that were reviewed by experts from Partners States waiting for the 45<sup>th</sup> meeting of Council of Ministers for review and approval.

#### **Committee Observation**

The continued contracting of staff on short basis without a guideline is prone to abuse and could be legally challenged.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to develop clear policy guidelines for the contracting of short-term staff.***

### **2.1.8.2 Recruitment of Short-Term Staff Without Council Approval**

The Audit Commission reported that Decision 49 of the 38<sup>th</sup> Council of Ministers meeting directed that that all recruitment of short-term staff shall be through the Council. Review of short-term staff records indicated that the EAC Secretariat renewed contracts for two new short-term staff after the Council directive and continued to renew their contracts. However, the recruitment of the two staff had not been approved by the Council.

Management reported that the short term staff came without council approval and this was occasioned by an increase of workload in certain directorates which made it imperative to have an additional staff to backstop the existing staff. It was in this context that the Short-Term Staff were hired. Management committed to comply with the recommendation and seek retrospective approval from the Council for the hiring of the above staff.

### **Committee Observation**

Non-compliance with the Council directives resulting in irregular payments of salaries.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure full compliance with the Council of Ministers' directives in the recruitment of short-term staff.***

#### **2.1.8.3 Delayed Recruitment Process of Staff**

The Audit Commission reported that the 42<sup>nd</sup> Ordinary Meeting of Council of Ministers held on 7 May, 2021 approved the recruitment of staff for various positions. The EAC secretariat advertised 53 position in May 2021 with a deadline for submission of application being 11 June, 2021. Eighteen (18) of the positions were for the EAC Secretariat while the rest were in respect of the other organs and institutions of the Community. However, the Audit Commission noted that five (5) of the positions advertised on 22 May, 2021 had not been filled more than two and half year since the advertisement. Similarly, on 18 October, 2022, the EAC Secretariat advertised for another twenty-three (23) positions including ten (10) for the EAC Secretariat while the remaining thirteen (13) were for the other EAC organs and institutions. However, the recruitment process had not been concluded as at the time of the audit November, 2023. The Audit Commission further noted that the EAC Secretariat undertook recruitment process for three (3) General Staff positions in the year under audit. The process commenced in May 2021 and was concluded on 31 March, 2023 with a recommendation for appointment. However, as at the time of the audit in November, 2023 one of the positions recommended for appointment had not been filed and there was no evidence that the successful candidate had been notified of the appointment.

Management reported that the EAC Secretariat carried out the recruitment exercise as required for eight (8) positions and some of the successful candidates reported on duty while others declined the offer, hence need for re-advertisement. Management further reported that for the remaining nine (9) positions, Secretariat undertook shortlisting exercise but due to budget constraints, interviews were pushed to January 2024.

### **Committee Observation**

Delayed recruitment process may damage the Community's reputation and may fail to attract top and experienced prospective candidates in future recruitments process. In addition, the successful candidates may no longer be available to take up position resulting in further delays and cost.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to fast track the acquisition of an e-recruitment system and to establish clear timelines for each recruitment exercise to ensure effective tracking and follow up.***

#### **2.1.8.4 Weaknesses in Leave Administration**

The Audit Commission noted that 99 staff members had accumulated leave that exceeded their annual entitlement some having more than three (3) times their entitlement, an indication that they had not been taking their leave as expected. In addition, during the year the EAC Secretariat incurred a cost of USD 105,032 as payment in lieu of untaken leave days for 25

employees. The review records also showed that two retired officers were paid twice during the financial year for commutation of leave.

Management reported that Heads of departments engage in leave planning with staff under their supervision. Management clarified that despite staff shortage, staff are being granted leave.

### **Committee Observation**

Continual denial of leave may impact negatively on the employees physical and mental health affect work-life balance and may result in increased stress and unscheduled days off.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to devise a leave plan or roster to ensure that employees take their leave at the appropriate periods.***

#### **2.1.8.5 Irregular Composition of the Human Resources Committee**

Regulation 37 of EAC Staff Rules and Regulations (2006) provides for the establishment of a Human Resource Advisory Committee. The functions are to give advice to the Secretary General in respect of confirmation in appointment, renewal of employment contracts, staff complaints, staff performance evaluation decisions, staff discipline, recommendation for staff training and any other staff related matters. The composition of the Committee is as follows:

The Deputy Secretary General for Finance and Administration	- Chairperson;
The Registrar	- Member;
The Clerk	- Member;
Director General Customs and Trade	- Member
Head, Human Resource Division	- Secretary; and
any other technical member as may be co-opted by the Secretary General	

The Audit Commission report on review of the minutes of meetings of the Human Resource Advisory Committee revealed that the meetings were chaired and attended by members not identified by the regulations. Further, the position of Deputy Secretary General for Finance and Administration (the supposed chair of the Committee) had been abolished following the reorganisation of Executive Members of the Community. There was no evidence of revision of the regulation to ensure the committee is properly constituted to effectively perform its functions.

Management reported that the 40<sup>th</sup> Extra-Ordinary meeting of the Council adopted the report on Workload Analysis and abolished the positions of Deputy Secretary General for Finance and Administration and the Director General Customs and Trade from the structure. Management further reported that the Committee is very important in handling staff matters. In line with regulation 4 of staff Rules and Regulations that stipulates that "The Secretary General may delegate his/her authority under these Rules and Regulations to a senior member of staff as he or she may deem fit", Hon. Dr. Kafumbe L. Anthony, the then CTC was assigned additional responsibilities of Finance and Administration Docket. It was in this context that he chaired the meeting of Human Resource Advisory Committee that took place on 13 April 2023. Management clarified that with end of tour of DSG in charge of Finance and Administration and while waiting to resolve the issues related to the appointment of DG Corporate Services by the Council of Ministers, Dr. Irene Isaka, the then Director Social Sectors was allocated the functions of handling the duties relating to Finance and Administration on

behalf of the Secretary General. It was in this spirit that she chaired the meeting of Human Resource Advisory Committee. In line with Regulation 37 of Staff Rules and Regulations (2006), the Secretary General co-opted other members from staff of the Community to help the Committee to be operational. Management reviewed the Staff Rules and Regulations 2006 awaiting the Council approval. The matter will be addressed once the new Staff Rules and Regulations are approved.

#### **Committee Observation**

The decisions made by a committee that is not properly constituted as provided by the regulations may be challenged in case of litigation.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to urgently amend the EAC Staff Rules and Regulations, 2006 to ensure seamless operations given the sensitivity of the Human Resource Advisory Committee's functions.***

#### **2.1.8.6 Avoidable Additional Travel Cost for Shortlisting Assignment**

The Audit Commission reported that the Secretariat convened a shortlisting meeting for 43 advertised positions on three different occasions (between 21 March and 14 April, 8 and 14 May and 14-19 June, 2023). The Audit Commission noted that the panel was only able to complete the shortlisting assignment within the stipulated time requiring the subsequent meetings to finalise the assignment. The Community incurred additional air ticket cost for reconvening the meeting.

Management reported that the EAC Secretariat convened a meeting of Delegates from Partner States from 21 March to 14 April 2023 to undertake the shortlisting for all advertised positions. It was expected that the meeting would complete the assignment within the allocated period. However, the meeting could not finish the shortlisting exercise but it was not possible to keep them around up to the end of the exercise because the time allocated to them by their respective Countries was over. The Secretariat convened another meeting from 8th-14th May 2023, but unfortunately, the team could not again finish shortlisting the remaining positions. The team then re-convened virtually from 14<sup>th</sup> -19<sup>th</sup> June, 2023 to handle the remaining positions. The EAC Secretariat planned well the exercise but because of discussions and concurrence in the decision-making process made the assignment not being completed between 21 March and 14 April 2023.

#### **Committee Observation**

The additional cost of air ticket by the EAC secretariat would have been avoided if proper planning of the shortlisting exercise was carried out. In addition, the rescheduling of the shortlisting assignment implies delay in the finalisation of the recruitment process which negatively affect the operations of the Community.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure adequate preparation and planning for future assignments so as to promote efficiency and cost effectiveness.***

#### **2.1.8.7 Salary Overpayment**

The Audit Commission reviewed the EAC Secretariat payroll for twelve months and established that a newly recruited officer was paid full salary for the month of June, 2023 despite having reporting on duty on 18 June, 2023 and thus worked for only 13 days. This resulted in an overpayment of USD 3,505.

Management clarified that the officer was appointed by the summit on 31<sup>st</sup> of May 2023 and informed management that he would report on 18 June 2023. Management decided that salary payment be effected from date of the appointment as it was construed that it would be the basis for consideration of a renewal/end of contract by the appointing authority. Management further clarified that it made adjustment vide journal No 155156 recording a receivable that was recoverable by end of FY 2023/24.

### **Committee Observations**

The reported figure for salary and wages is overstated by the amount overpaid. Remuneration for days not worked is irregular.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to recover the overpaid salary from the officer, to ensure adherence to the Staff Rules and Regulations regarding the effective date of appointment, and to adjust the financial statements accordingly.***

#### **2.1.8.8 Non-Implementation of a Performance Contract System**

The Audit Commission reported that introduction of a performance-based contract was discussed in the 35<sup>th</sup> Ordinary Meeting of Human Resource Advisory Committee held on 14 February, 2023 which recommended that the Secretary General provides guidance on the implementation of the performance-based contracts. In addition, the Council of Ministers directed the Secretariat to introduce performance –based contracts for all staff of EAC Organs and Institutions. However, review records indicate that the EAC Secretariat had not implemented a performance contract system as directed by the Council contrary to Regulation 33(3) of EAC Staff Rules and Regulations, 2006.

Management reported that the above situation was attributed to staffing gaps which hinders cascading of performance targets and indicators from the Secretary General to Directors, Principal Officers, Senior Officers. Management cited the Directorate of Social Sectors which lacks a Director, Principal Gender Officer and other officers as a case.

### **Committee Observation**

Failure to perform staff evaluation by management means that the community will not have an objective basis for assessing whether its employees have the ability to carry out efficiently and effectively main duties assigned to them. As a result, EAC Secretariat will have difficulties in identifying performance challenges that affect achievement of its strategic objectives and goals.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management strengthens human resource management controls so that staff are properly evaluated and result oriented measures are implemented to enhance the attainment of strategic goals.***

### **2.1.8.9 Unsupported Allowance Paid to Staff**

The Audit Commission reported the financial statements reflects an amount of USD 8,992 included in payroll charges as staff allowance. Management attributed this amount to payment made for a category of staff to cover bank charges on payment of salaries. However, there is no evidence that this allowance had been duly approved and was not included in the respective employees' contracts. Further, the payments could not be collaborated with the actual bank charges.

Management clarified that the charge identified, entailed a token of 1% of total salary payment made to General staff that was given as an administrative charge since the salary review of 2006/2007 to cater for bank charges and other salary processing charges/fees in both the originating salary processing and staff salary recipient bank accounts. An administrative circular in this regard was approved by management in this regard to support this token charge on General staff salary.

#### **Committee Observation**

Payment of unapproved allowance is an irregular charge of the resources of the Community.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to ensure that all allowances paid to staff strictly adhere to the Staff Rules and Regulations and are duly approved by the Council.***

### **2.1.9 REVIEW OF IMPREST MANAGEMENT**

#### **2.1.9.1 Delays in Retirement of Imprest**

The Audit Commission report on review of three hundred and sixty (360) sampled imprest retirements revealed delays in retirement of imprest contrary to the provision of the regulations. Cases were noted where the imprest was not retired on time some taking as long as 88 days. Further, there were notable delays in posting of the retirements to the general ledger.

#### **Committee Observations**

Lack of adequate controls over imprest may increase the risk of misappropriation of funds.

Delay in retirement also may result in misusing of funds.

Delayed posting of the retirement may affect timely reporting of expenditure and hence decision making.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management clears imprests issued to employees within the specified period of five (5) days and that related travel expenses are recognized promptly upon imprest retirement.***

### **2.1.10 REVIEW OF PROCUREMENT PROCESSES AND CONTRACTS MANAGEMENT**

#### **2.1.10.1 Lack of Procurement Manual**

The Audit Commission reported that the EAC Management suspended its Procurement Procedures Manual 2020 on 21 May 2021 on explanations that it did not conform to the EAC Financial Rules and Regulations, 2012. However, EAC Management has not developed a

procurement procedure manual to replace the suspended one and as a result, the EAC operated without a manual for the period under review.

Management clarified that though the Secretary General suspended the Procurement Manual of 2020 as observed above, the suspension Administrative Circular also provided that in the interim period before a new manual was operationalised, the EAC Financial Rules and Regulations, 2012 under PART VII – Procurement, Reg. 42 to 94, should apply. Management further clarified that a new EAC Procurement Manual, 2023 was developed, approved and is operational since from 13<sup>th</sup> October 2023.

#### **Committee Observation**

In absence of an approved procurement policies and procedures manual, procurement process may not have been adequately guided.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Secretariat Management develops a procurement manual that documents stringent controls and enhances the administration of procurement processes.***

#### **2.1.10.2 Assets Acquired Without Following Proper Procurement Procedures**

Section 6.2.1.4(4) of the Procurement Procedures Manual, 2020, stipulates that for procurements carried out through the Request for Quotation Method, quotations must be obtained from a minimum of three suppliers. The Audit Commission identified discrepancies in instances where assets were procured using the Request for Quotation method, but the required number of quotations (three) was not obtained. The Audit Commission report on examination of records in respect of assets additions for the period ended 30 June, 2023, revealed that out of the 69 sampled assets, 13 were acquired through the Request for Quotation method, and the evaluation process involved less than three suppliers.

Management took note of the concern and clarified that in order to enhance competition and transparency, management sent request for quotations (RFQs) to more than 3 service providers (5 in this case) but only 2 bidders responded. Management in this case complied with the provision of Section 6.2.1.4(4) of the Procurement Procedures Manual, 2020 which requires to source quotations from 3 suppliers.

#### **Committee Observation**

The failure to obtain the required three quotations for assets procured through the Request for Quotation method has limited competition in the procurement process. This, in turn, may have hindered the EAC Secretariat and Projects from achieving optimal value for money in their respective procurements, potentially impacting the overall value of the acquired assets.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to strengthen controls in procurement management to prevent evident errors, and to require officers involved to take personal responsibility in safeguarding the Community against intentional losses.***

#### **2.1.10.3 Extension of Contracts Without Reasonable Legal Basis**

The Audit Commission reviewed administrative, meetings, and consultancy expenses and

identified two instances where contracts were extended without reasonable cause. The extension essentially deprived other potential bidders of the opportunity to secure contracts with the Community. Furthermore, the extensions infringed on fair competition, possibly preventing the Community from obtaining value for money through more competitive prices if the tender had been published after the contracts with the respective suppliers ended. The specific details regarding these two cases of contract extension are explained below:(i) The EAC Secretariat initiated a two-year contract with Infosys IPS (T) Ltd commencing from 1 July 2017. Subsequently, this contract underwent two consecutive extensions, each for a duration of two years, extending the agreement until 30 June 2023. The original contract, priced at USD 31,824.60 (inclusive of VAT), was structured based on the repair and maintenance of 741 computer equipment, as detailed in the provided price schedule below.

**Table 2.1.14: Items identified for maintenance and repair in original contract**

S/N	Items	Quantity	Price
1	Desktop Computers	300	12,900.00
2	Laptop Computers	50	1,750.00
3	Digital - LCD Projectors	15	450.00
4	Digital Camera	1	20.00
5	Dot Matrix Printers	5	150.00
6	Desktop Laser Jet Printers	20	600.00
7	HP Colour Laserjet Printers	30	900.00
8	UPSs	300	9,600.00
9	Scanners	20	600.00
	Total per annum	741	26,970.00
	VAT		4,854.60
	<b>Total cost VAT inclusive</b>		<b>31,824.60</b>

The Audit Commission report on the review of repair activities conducted during quarter 1 of the financial year 2022/23, derived from service sheets, revealed that a total of 491 items were repaired and maintained. Notably, 44 of these serviced computer equipment items were not identified in the original contract schedule of prices. Further analysis indicated that, of the serviced and repaired computer equipment in quarter 1, only 214 belonged to the Secretariat and Projects. The remaining items were associated with the EALA and the EACJ. Despite this, all costs were pooled and reported by the EAC Secretariat. Additionally, the extension of the contract resulted in an extra cost of USD 13,039, which was not mentioned in the Instrument of Variation that extended the contract. This discrepancy increased the total cost to USD 49,718.20. The extension was deemed illegal as it was not supported by any legal instrument guiding the Community's operations and contradicted procurement guidelines.(ii) In addition, the contract for the provision of dedicated high-performance internet for e-mail services and point MPLS connection, catering to six ministries responsible for EAC affairs, was renewed for an additional period of one year, concluding on 31 December 2023. The original contract had a total sum of USD 329,597.76 per annum. However, only USD 17,177.28 of this amount related to EAC-HQ, which is a shared service with the EALA and the EACJ. Despite this shared nature, the entire contract sum was recorded in the EAC Secretariat's financial statements.

Management reported that this was associated with multiyear contracts. However, the Secretary General no longer issues multiyear contracts and when contracts end within a year, they have to be redone. All multiyear contracts such as life and medical insurance have now been reduced to 1 year.

## **Committee Observations**

- i. The extension of the maintenance and repair contract deprived the EAC Secretariat of the opportunity to obtain competitive prices from bidders under new existing conditions. The observed decline in computer equipment and the EAC Secretariat's separate budget for activities suggest that the cost would have substantially decreased.
- ii. Furthermore, the inclusion of the total amount of USD 312,420.48, which the Secretariat bears on behalf of other parties with independent operations, imposes an unnecessary burden on the EAC Secretariat.

## **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to refrain from extending contracts without a reasonable legal basis, in order to safeguard the Community's resources that could otherwise be utilized for more productive activities.***

### **2.1.10.4 Procurement Irregularities on the Hire of Transport Services for EAC Election Observation Mission to Kenya General Election**

The Audit Commission reported that on 28 June 2022, the EAC raised a procurement requisition for procurement of cars for Election Observer Mission for the 2022 General Election in Kenya whereby the related invitation for bids was sent out to four firms on 25 July, 2022 closing on 28 July, 2022. Two bids were received and after evaluation, the Evaluation Committee made recommendation to the Procurement Committee for approval of the evaluation report and contract award to M/s. Redhat Tour and Travel at a total cost of USD 26,240. The Procurement Unit issued a Local Purchase Order (LPO) No.0132 to M/s. Redhat Tour and Travel for the hire of transport services for EAC Election Observation Mission to Kenya General Election for a total of USD 26,240. The services were provided between 7 August, 2022 and 14 August, 2022 and two invoices for a total of USD26,160 submitted for payment on 16 August, 2022. Information available indicates that the Procurement Committee, in a meeting held on 6 December, 2022, stayed the retrospective approval of the request for non-compliance with the procurement process. However, the Committee acknowledged that the services were consumed by the EAC Community and guided that EAC Management to find ways of paying for the services consumed. Following the Procurement Committee decision, the procurement unit on 24 March, 2023 requested the Secretary General to approve the payment to avoid any resultant contractual claims. Consequently, the payment of USD 26,160 was approved for payment on 24 March, 2023 and the payment was made on 01 June, 2023. The Audit Commission noted that the award of the contract was not approved by the Procurement Committee as required. LPO No.0132 for USD 26,925 was raised on 30 July, 2022. The LPO was however approved on 31 May, 2023, nine (9) months after it was raised and long after the services were provided. Invoice No.36540 for USD 24,240 and Invoice No.36541 for USD 1,920 totalling USD 26,160 both dated 16 August, 2022 were paid 01 June, 2023, a delay of over nine (9) months. This was contrary to Policy 4.4.4. (c) of the EAC Financial Procedures Manual, 2013 which requires payments of invoices for creditors to be made within 30 days of receipt of the invoice.

Management took note of the recommendation and committed to strengthen and improve internal controls on procurement to ensure a better utilization of the resources of the Community. Management further committed to always expedite the payment processes to comply with the financial rules and regulations.

## **Committee Observations**

- i. Breach of procurement regulations.
- ii. Delay in payment may cause suppliers to lose confidence with the EAC Secretariat due to the fact that payments take longer than usual which in turn may affect the operations of the Community.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to strengthen and improve internal controls around procurement to ensure optimal utilization of the Community's resources, and to establish and impose sanctions against officers who act negligently in contravention of the established rules of the Community.***

#### **2.1.10.5 Provision of Catering Services at the EAC Secretariat**

The Audit Commission reported that the Procurement Committee at its 61<sup>st</sup> Ordinary Meeting (Min.No.06/11/22) held on 6 December, 2022 discussed the provision of Catering Services at the EAC. Minutes of this meeting indicates that five (5) firms had successfully uploaded their bids for the provision of catering services. The five firms were subjected to administrative/mandatory grid and only two firms – Pizza Point and Spice Events - qualified for technical evaluation grid where minimum score was 70%. Once again both firms qualified in the pricing level. The Evaluation Committee consequently recommended to the Procurement Committee to approve and recommend award of contract to the two firms for the provision of Catering Services at the EAC. However, the procurement committee recommended award of contract to M/s Pizza Point and Lavicato Catering Services, then directed procurement to visit Ms. Spice Events Ltd premises to ensure compliance with the required services. The crux of the matter is that Lavicato catering services was not subjected to all the three evaluation levels subjected to the other two firms yet the procurement committee went ahead and recommended the firm to be awarded the contract.

Management clarified that even though Spice Events Ltd had met all the requisite criteria as provided for in the bidding document, a post qualification procedure was recommended to determine the capacity and competence of a firm to provide the services but the report of the post assessment indicated that Spicy events had no established restaurant/ facilities to provide the services). Management further clarified that M/s Pizza Point and Lavicato Catering did not require post-qualification as they were existing service providers at the time and had earlier been post qualified prior to their engagement. The procurement committee recommended award of the contract to Lavicato because the evaluation committee disregarded regulation 58 a) evaluation committee shall evaluate bids in accordance with the criteria set out in a call for bids and disqualified Lavicato based on the criteria of halali which was not a requirement in the bidding document. Since Lavicato had met all other technical requirements, the procurement committee recommended award of the contract. The post-qualification process is a due diligence process which is required of all new suppliers providing critical services (spicy events in this case).

#### **Committee Observation**

Recommendation of award of contract to Ms. Lavicato Catering Services was therefore irregular.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct Secretariat Management to consistently adhere to the established policies and procedures, and to apply appropriate administrative action to curb malpractice.***

## **2.1.11 REVIEW OF INFORMATION MANAGEMENT SYSTEMS**

### **2.1.11.1 Lack of system logs for opening and closure of account periods in Sun System**

The Audit Commission identified a significant concern related to the management and authorization of account periods within the financial system. Specifically, the system does not maintain a log of the opening and closing of account periods during the financial year. This absence of a robust mechanism for tracking opening and closure of account periods in the system increases the risk that account periods may not be closed on time and that there may be unauthorized openings of account periods to post transactions to closed periods. Such deficiencies in internal controls raise concerns over the reliability and accuracy of financial reporting. The cause of this issue is identified as an inadequate system configuration that did not consider internal controls in the context of accrual accounting to track user actions for opening and closure of account period.

Management concurred with the audit finding and committed to work with the SunSystems vendor and explore ways to set up audit trail in the system to track who and when the period is closed and opened. Management further committed to implement this by the end of the third quarter.

#### **Committee Observations**

- i. Without a reliable record of when accounting periods are opened and closed, there is an increased risk of inaccuracies in financial statements. Revenue and expenses may be recognized in the wrong periods, which can misrepresent the financial performance and financial position of the organization.
- ii. The absence of a log makes it challenging to ensure that only authorized individuals open or close accounting periods. This increases the risk of unauthorized personnel adjusting or entries to closed periods, potentially leading to fraud or unintentional errors.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management implements a secure, auditable log recording the dates and names of individuals responsible for opening and closing accounting periods.***

### **2.1.11.2 Manual Tracking of Partial Stock Deliveries Due to ineffective utilization of System Functionality**

The audit Commission report on the purchase order and item receiving process in the Sun system identified a consistency issue in the use of the field for recording the quantity specified in the Purchase Order (LPO). Users do not consistently input the LPO quantity in the designated quantity field; instead, they often place this information in the description field. The cause of this inconsistency lies in the design of the Sun system. The system is configured to match LPOs and invoices based solely on the total amount, without mandatory consideration of quantity. Consequently, users are not compelled to use the designated quantity field to input the LPO quantity, as they do not see a functional necessity for it.

Management reported that the Sunsystem was reconfigured to track both partial and full stock deliveries.

#### **Committee Observations**

- i. Incomplete or inconsistent recording practices make it challenging to accurately track and account for partial deliveries of stock items. The absence of a standardized approach hampers the identification of quantities yet to be delivered against LPOs.
- ii. Manual, inconsistent tracking processes can be time-consuming and error-prone. This can lead to inefficiencies in the procurement process, delays in identifying shortages, and difficulties in managing stock levels effectively.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management reconfigures the Sun system to mandate matching of LPO quantities during invoice processing, requiring users to input the LPO quantity in the designated field to foster accuracy and consistency.***

#### **2.1.11.3 Lack of Segregation of Duties in Financial Transactions within the Sun System**

The Audit Commission report on the review of the Sun system controls revealed a significant deviation from the requirements outlined in Section 17.3 of the EAC Financial Procedures Manual 2013. This deviation pertains to the budget upload, budget reallocation and supplementary, LPO processing and transaction posting to General ledger, where both the creation and posting are performed by a single staff member. The system is not configured to enforce separate staff roles for data entry and posting within the system. Budget reallocation and supplementary and LPO approvals occur outside the system, with one individual entrusted to create and post them in the system. The cause of this deviation is the configuration of the Sun system, which does not provide the necessary functionality to segregate duties for the creation and posting of budget upload, budget reallocations and supplementary, LPOs. The absence of segregation of duties within the system can lead to situations where one person carries out both tasks, as a consequence of system limitations.

Management reported that due to staffing challenges, the segregation of duties had not been setup in SunSystems. Management however clarified that it put in place compensating controls by approving the transactions before and after posting in Sunsystems.

#### **Committee Observations**

- i. The absence of a dual-approval process within the system increases the risk of errors and fraud, as a single staff member has the authority to both create and post budget reallocations and LPOs without independent verification.
- ii. The system's inability to enforce segregation of duties undermines internal control mechanisms and makes it difficult to ensure the integrity of financial data and compliance with procedures.
- iii. Without a clear segregation of duties, it may be challenging to trace and investigate discrepancies or unauthorized actions, as there is a lack of independent oversight.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure that Secretariat Management enhances the Sun system's functionality to enforce separation of duties between creating and posting budget reallocations, LPOs, GL***

***transactions, and budget uploads.***

**2.1.11.4 Manual posting to GL of payment to suppliers and staff without LPO and invoice**

The Audit Commission observed that certain transactions related to payment to suppliers and staff payments were posted directly to the General Ledger (GL) without following the prescribed LPO and invoice process in the purchase module. Notably, these cases for supplier payments were not related to balances brought forward from the previous year. The cause of this issue lies in a configuration or system setup that permits payments to be posted directly to the GL without the requisite LPO and invoice processing. This configuration allows for bypassing the standard payment approval workflow, potentially due to system settings or user permissions.

Management reported that direct posting of staff imprests was disabled and all staff imprest transactions are posted by either creating a commitment or creating an Invoice through Purchase Invoice entry

**Committee Observations**

- i. Payments posted without going through the proper LPO and invoice matching process can bypass the necessary approval steps, potentially leading to unapproved transactions.
- ii. The absence of the standard approval workflow and matching process increases the risk of errors and fraudulent transactions. It can also lead to discrepancies in financial records.
- iii. This deviation from the standard process can lead to compliance issues with internal policies and potentially raise audit concerns regarding the integrity of the financial data.

**Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure that Secretariat Management conducts a thorough review of the Sun system's configuration to eliminate settings or permissions allowing direct posting of payments to the GL, ensuring all payments particularly to suppliers and staff imprest follow the prescribed LPO and invoice process.***

**2.1.11.5 Inefficiencies and Control Weaknesses in Adjustments Processing within the Sun System**

The Audit Commission reviewed the system controls in passing adjustments and noted the following concerns: (i) The sum of transaction adjustments in the General Ledger results in a negative net balance due to incorrect adjustment procedures. Users are posting single entries to modify the amount of incorrect transactions instead of adhering to the proper double entry process involving a reversing entry to cancel out the original incorrect entry, followed by a new entry to reflect the corrected amount; (ii) Adjustments are being made by individuals who are not accountants, such as cashiers and system administrators; (iii) There is a lack of segregation of duties, as adjustments are initiated and posted by the same person in the system; and (iv) Adjustments are being posted by users with generic usernames, namely PAYEX and PAYMT, which hinders accountability. These generic usernames are used by vendors during support on behalf of system administrator.

Management reported that this was due to staffing challenges but clarified that indeed

accountants initiate and post the transactions in SunSystems but Management has put in place compensating controls by approving the transactions before and posting them.

#### **Committee Observations**

- i. The implication of these issues is that the accuracy and integrity of the financial records are compromised. It may lead to misreported financial results, hinder effective financial management, and increase the risk of errors and fraud.
- ii. Allowing non-accountants to make financial adjustments can lead to inaccuracies in financial reporting and potentially result in financial discrepancies.
- iii. The lack of segregation of duties increases the risk of unauthorized or fraudulent adjustments going unnoticed, potentially leading to financial irregularities.
- iv. Using generic user names eliminates individual accountability and makes it challenging to trace and investigate financial discrepancies or errors.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management restricts financial adjustments in the General Ledger to qualified accounting personnel and requires unique, traceable user names for all adjustments to enhance accuracy, compliance, accountability, and auditability.***

#### **2.1.11.6 Weaknesses in opening and closing of Accounting Period in the Sun System**

The Audit Commission report on general controls related to the accuracy in posting transactions to their respective account periods revealed significant weaknesses in adherence to the accrual accounting principles. Specifically, transactions within the Sun System were not consistently posted in the correct account periods. These issues include :(i)Transactions posted to previous accounting periods without evidence of approval by the director of finance to open the respective accounts and to post such transactions; and (ii) Transactions posted to future accounting periods. These issues are attributed to weak internal controls within the Sun System, which fail to restrict the opening and closing of accounting periods in accordance with the accrual accounting principles outlined in the EAC financial procedures manual. Also system allows users to back date login date and as a result transactions appear to be posted earlier than the actual accounting period.

Management reported that the closure of periods in SUNSystems cannot be automated but with the beginning and end of every period in SunSystems an allowance of 2 months is given so that accountants can reconcile transactions before the period is closed and a new one opened.

#### **Committee Observations**

The accuracy of financial reporting is compromised as transactions are not consistently recorded in the correct accounting periods, leading to misstated financial results.

The lack of approval for transactions posted to previous periods can lead to financial inaccuracies and a lack of transparency in financial reporting.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management strengthens Sun System controls by restricting postings to prior or future accounting periods without director of finance approval, implementing an approval workflow for compliance with the EAC financial***

***procedures manual, and prohibiting backdating of login dates.***

#### **2.1.11.7 Exchange Rate Discrepancies for Imprest, Bank Charges, and Supplier Payment Transactions**

The Audit Commission revealed discrepancies related to exchange rates in the financial transactions within the Sun system. These discrepancies encompass the utilization of incorrect exchange rates for imprest and bank charges, which do not involve negotiation, in contrast to the system's configured rate. Additionally, there are instances of transactions related to payments to suppliers with varying exchange rates for the same transaction date. While exchange rates can be negotiated when the EAC conducts supplier payments, it is not expected that imprest disbursements to staff and bank charges utilize different exchange rates from the central bank rate as per system's configuration. Furthermore, for supplier payment transactions, it is reasonable for the exchange rate to differ from the configured rate due to negotiation for a better rate. However, it is not expected for exchange rates to be inconsistent on the same transaction date.

Management reported that the issue will be resolved after the upgrade from SunSystems 6.3 to 6.4.

#### **Committee Observation**

The use of incorrect exchange rates can lead to inaccuracies in financial records, potentially affecting the organization's financial reporting

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management enforces strict adherence to system-configured exchange rates for imprest and bank charges, and guarantees consistency of exchange rates for supplier payments made on the same transaction date.***

#### **2.1.11.8 Budget entry, reallocation and supplementary done by system administrator**

Contrary to Sections 2.3.16.3 and 17.3(a) of the EAC Financial Procedures Manual 2013, the Audit Commission report on the review of the budget ledger, reallocations, and supplementary procedures revealed that the initial budget is entered and posted by the Sun System administrator. Similarly, budget reallocations and supplementary actions are undertaken by the Sun System administrator, rather than being managed by the designated Budget Department as specified in the financial procedures manual. The deviation from the established procedures can be attributed to a lack of alignment between the Sun System's functionality and the EAC financial procedures manual. This misalignment allows the Sun System administrator to perform tasks that should be carried out by the Budget Department.

Management acknowledged the audit query and clarified that this issue was rectified by fully implementing the interface software Intelligent Open Network (ION) which interfaces between the Budget management software and SunSystems and hence the process of posting budget related transactions will be managed by the budget office.

#### **Committee Observations**

- i. Allowing the Sun System administrator to enter the initial budget and perform reallocations and supplementary actions may result in a lack of accountability for these critical financial processes.
- ii. The involvement of the Sun System administrator in budget-related tasks may increase

the risk of errors in budget management and reporting.

### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management grants budget entry, posting, reallocations, and supplementary budget management rights exclusively to authorized Budget Department personnel, with access permissions aligned to the financial procedures manual.***

#### **2.1.11.9 Budget Adjustments out of Budget Management System**

The Audit Commission report on comparison between the approved budget from the Budget Management System (BMS) and the initial uploaded budget to the Sun system revealed discrepancies for 24 budget items. Upon inquiry, it was disclosed that these differences stem from budget adjustments made directly in the Sun system during budget uploads, bypassing the required authorization process in BMS. Additionally, the comparison identified one budget item existing in the Sun system but not in BMS named Payroll charges with GL code 2150204 amount USD 12,000, indicating a lack of initiation and authorization through BMS. While the EAC has implemented automated integration between BMS and Sun System but manual adjustments in Sun system remain restricted to prevent unauthorized changes to the budget.

Management clarified that all allocations to the appropriated originally uploaded budget, though being done directly in the Budget Ledger B in SUN Systems, had management approval and were done in compliance to Council Decision of 32<sup>nd</sup> Meeting of the Council (August, 2015), which gave authority to the Secretary General and Heads of Organs/Institutions to make reallocations up to a certain extent (EAC/CM32/Decision 03). Management informed the Committee that from the FY 2023/2024 going forward, no budget changes shall be done directly in SUN Systems. In this regard, management has developed the Integrated Open Network (ION) interface between the Budget Management System (BMS) and the SUN Systems Budget Ledger, through which all virements (reallocations and supplementary) budget will be initiated, approved and transferred to SUN System, to enhance budget discipline and consistency in the financial information in the two systems. With regard to the GL code 2150204 – Bank Processing Charges for General Staff Salary, Management clarified that the Budget Management System (BMS) will be setup in the 3<sup>rd</sup> quarter of FY 2023/2024 with this the Account Code for the purposes of budgeting and appropriation of the FY budget.

### **Committee Observation**

The identified control weaknesses increase the risk of unauthorized budget changes, potentially compromising the integrity and transparency of the budget management process.

### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management strengthens Sun system controls to restrict budget changes and enforce strict adherence to the established budget authorization process.***

#### **2.1.11.10 System Control Anomalies in Asset Procurement and Registration Processes**

The Audit Commission reviewed the purchase and asset management modules within the system and uncovered significant anomalies in the control mechanisms for posting procured assets to the asset register. Specifically:(i) Some assets recorded in the asset register have

acquisition costs that do not align with the amounts specified in corresponding Purchase Orders (LPOs) and invoices.(ii) Certain assets listed in the additions for the current financial year lack corresponding Purchase Orders (LPOs) and invoices in the Sun system, indicating potential procurement outside the system with direct posting to the asset register.

**Table 2.1.15: Anomalies in Asset Procurement and Registration Processes**

Asset Code	Description	Base Amount
<b>AD07CELP11</b>	DELL Latitude 9410	1970
<b>ARCELT001</b>	HP Laptop Elitebook* 360	1312
<b>SCCENM001</b>	Network Monitor SL 100	2047
<b>SCCEPR530</b>	kyocera MZ4000i SN W5Y2ZC3546 EAC12470	4652.54

The noted anomalies are primarily attributed to the following causes: (i) Inadequate Controls in Matching Asset Acquisition Cost; and (ii) Inadequate System Restriction.

Management reported that VAT calculation has been made mandatory on Fixed Asset purchase type which is used by procurement when creating Fixed Assets LPO.

#### **Committee Observation**

Discrepancies in acquisition costs and assets lacking associated LPOs and invoices compromise the reliability of financial records, tracking, and adherence to procurement processes.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management implements controls to accurately match asset acquisition costs during invoice processing, thereby restricting asset selection and ensuring correct posting to the appropriate asset.***

#### **2.1.11.11 Redundant Expenses on computer network firewall**

The Audit Commission reviewed the ICT third-party service management at the East African Community (EAC) and observed that the organization has acquired similar services from two different vendors, namely Sophos and Fortinet, both serving the purpose of network security as described in the table below. This duplication raises concerns about the efficient use of funds and effective management of ICT initiatives.

**Table 2.1.16: Redundant Expenses on computer network firewall**

Sn	Item	Sophos	Fortinet
<b>1</b>	Intrusion prevention system (IPS)	√	√
<b>2</b>	malware protection	√	√
<b>3</b>	Antispam	√	√
<b>4</b>	DNS and video filtering	√	√
<b>5</b>	application control	√	√
<b>6</b>	Zero-day protection	√	x
<b>7</b>	stateful firewall, VPN, Wireless	√	x
<b>8</b>	License and subscription cost	20, 372.70	17,173.86

The inadequate governance of ICT, stemming from the absence of an ICT steering committee to oversee effective resource utilization, contributed to the acquisition of multiple firewall

The acquisition of firewall services from multiple vendors indicates a lack of coordination and oversight in the procurement process, leading to redundant expenses for services with similar functionalities.

Management reported that the implementation of the Defence in depth concept is helping EAC to mitigate the cyber challenges.

**Committee Observation**

The duplication of firewall services incurs unnecessary costs, potentially resulting in the inefficient allocation of financial resources.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management evaluates the features and capabilities of Sophos and Fortinet firewalls to identify the most effective solution, and strengthens procurement oversight within the ICT governance structure to prevent redundancies and ensure strategic alignment.*

**2.1.11.12 Imprest payment exceeding approved imprest amount**

During the audit comparison of staff imprest payment transactions with their corresponding invoices in the Sun system, the Audit Commission identified instances where the payment amount exceeded the invoice amount. This indicates discrepancies and potential overpayments to staff. The cause of these discrepancies lies in control weaknesses within the system to match staff imprest payments with corresponding invoices in the Sun system, creating a vulnerability that may allow for overpayments.

Management reported that the approval of extra days of a staff on an official mission was done manually by signing the retirement form hence the initial imprest/DSA given to the staff would be less than the final amount posted in the actual ledger.

**Committee Observation**

The identified control weaknesses pose a risk of financial mismanagement, allowing for overpayment

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management strengthens Sun system controls to rigorously match staff imprest payments with corresponding invoices, thereby preventing potential overpayments.*

**2.1.11.13 Manual Posting of Staff Imprests without Corresponding LPOs/Invoices**

The Audit Commission Report on comparison of payment transactions for staff imprest revealed instances where two staff members were paid imprests without corresponding LPOs/invoices in Sun system as described in the table below. This is associated with manual posting of imprest payments directly to the general ledger.

**Table 2.1.17: Staff Imprests without Corresponding LPOs/Invoices**

GL Code	Description	Description	Staff Code	Base Amount
71102Z998	Imprest Payable	Payment	0503	150.00

<b>71102Z998</b>	Imprest Payable	Payment	6040	7,350.00
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Management reported that direct posting of staff imprests was been disabled and staff imprest transactions are posted by either creating a commitment or creating an Invoice through Purchase Invoice entry

**Committee Observation**

The absence of LPOs and invoices for imprest payments raises concerns about authorization and accountability.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management implements automated controls within the Sun system to mandate the use of Imprest LPOs and invoices for all staff imprest transactions, thereby ensuring compliance with EAC financial procedures and enhancing the accuracy and completeness of financial records.*

**2.1.11.14 Control Anomalies of LPO And GRN Dates**

The Audit Commission identified Sun system discrepancies in the Goods Receiving Note (GRN) and LPO reports, with instances of goods being received before LPO confirmation and LPO confirmation dates preceding LPO creation dates. The discrepancies were due to inadequate controls and measures within the Sun system to ensure the proper sequence of activities in the Goods Receiving and LPO confirmation process.

Management reported that it has disabled direct posting of staff imprests and all staff imprest transactions are posted by either creating a commitment or creating an Invoice through Purchase Invoice entry.

**Committee Observation**

Risk of misaligned processing integrity and compromised business accountability due to the lack of effective controls to enforce the correct sequence of goods receipt and LPO confirmation.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management strengthens Sun system controls to enforce and validate the proper sequence of activities in the Goods Receiving and LPO confirmation process.*

**2.1.11.15 Payment to suppliers more than invoice amount and balance from previous year**

The Audit Commission report on the Sun system's controls over the matching of payments with invoices revealed instances where payments to suppliers exceeded the sum of the invoice amount and the balance brought forward from the previous financial year. The identified issue is primarily attributed to inefficiencies in the controls within the Sun system. There may be gaps in the system's ability to accurately calculate and validate payments against invoice amounts and previous financial year balances.

Management reported that this was resolved by disabling direct posting of Invoices which do

not originate from the purchase setup function and where manual LPOs are issued, Purchase invoice function has been setup to create direct invoices which will be posted into the general ledger.

**Committee Observation**

Excessive payments beyond the sum of the invoice amount and the balance brought forward from the previous financial year pose a risk of financial mismanagement. This could lead to budgetary discrepancies, potential financial losses, and non-compliance with established financial procedures.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management implements robust Sun system controls to accurately calculate and validate payments against the sum of the invoice amount and any balance carried forward from the previous financial year.*

**2.1.11.16 System Inaccurately Calculate Retirement Date**

The Audit Commission report on the review of the Inspiro HR and payroll system revealed an inconsistency in determining staff members' exit dates. Specifically, the two staff members exited well after their respective dates of retirement. As a result, these staff members would be over 60 years old at the recorded exit date. The root cause of this issue lies in the system's failure to restrict the extension of staff contracts beyond their retirement age. The system lacks a mechanism to check whether the extended contract period surpasses the staff member's retirement date.

**Table 2.1.18: Inconsistencies in retirement date**

Employee Code	Job Category Desc	Date of Birth	Employment Exit	Employee Age at Exit Date
000495	Professional	06/Aug/1965	31-May-27	61
000510	General	05/Jun/1964	30-Jun-27	63

Management reported that the issue was fully implemented by prompting the staff whose retirement is due through system alert.

**Committee Observation**

This oversight poses a risk of miscalculating retirement benefits and payroll disbursements. Incorrectly recording the exit dates beyond the retirement age may lead to financial inaccuracies and adversely impact the overall integrity of the HR and payroll processes.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management enhances the Inspiro HR and payroll system with a robust validation mechanism to prevent staff contract extensions beyond retirement age, and implements an automated alert system to notify relevant personnel when extensions are considered, thereby strengthening oversight and compliance with retirement policies.*

**2.1.11.17 Lack of Authorization within the System for Changes of Contract Period**

## and Birthdate

The Audit Commission report on Inspiro HR and payroll system revealed a significant concern regarding the alteration of employee age and contract periods. Notably, these critical changes, which have a direct impact on retirement calculations, are entrusted to a single individual within the system. Lack of segregation of duties and oversight within the system where a singular individual has the capability to modify crucial employee details such as age and contract period.

**Table 2.1.19: Alteration of Employee Age**

Field Name	Old Value	New Value	Action	User Code	Date
Age	10	40	Update	RMS	23/May/2023
Age	38	39	Update	RMS	20/May/2023
Contract Period	1825	1309	Update	RMS	19/May/2023
Contract Period	1088	1093	Update	RMS	22/May/2023
Contract Period	3	1094	Update	RMS	22/May/2023
Contract Period	8	245	Update	RMS	22/May/2023
Contract Period	5	1825	Update	JD	21/May/2023
Contract Period	1825	1826	Update	JD	21/May/2023

Management reported that the issue was implemented by setting up levels of approvals within the system in case of any change made by the entry users.

### Committee Observation

The potential for abuse or error in the manual alteration of employee age and contract periods by a single individual introduces a serious risk to data integrity. Incorrectly modified employee details can lead to inaccuracies in retirement calculations.

### Committee Recommendation

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management enhances the Inspiro application by distributing access privileges for critical changes particularly those related to employee age and contract periods among multiple authorised personnel, and conducts regular audits of system logs to promptly detect and investigate suspicious or irregular changes.***

#### 2.1.11.18 Failure of the Inspiro System to Track Staff Arrears

The Audit Commission report on the review of monthly payroll reports generated from the Inspiro application revealed inconsistencies in the amount computed as basic salary for staff members across different months. Upon further investigation, the Audit Commission found that salary and benefits arrears, intended to be reported separately, are included in the basic salary computation. The root cause of this issue stems from the computation of gratuity being based on both basic salary and arrears categorized under basic salary. This necessitated the system to combine these components, resulting in the inadvertent inclusion of salary and benefit arrears within the reported basic salary.

Management clarified that the issue on how to implement between the two systems (Inspiro People versus the Sun Systems) that share payroll data was under discussion.

### Committee Observation

The failure to accurately distinguish and report salary and benefit arrears separately from basic salary has significant implications. It compromises the ability to establish clear expenditure on these specific arrears and hampers the audit process for ensuring the authenticity and accuracy of reported figures.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management reconfigures the Inspiro Payroll System to clearly delineate basic salary from associated arrears by segregating salary and benefit arrears, introducing distinct fields for salary, other arrears, and gratuity, with gratuity computed based on the basic salary and salary arrears.*

**2.1.11.19 Discrepancy in Salary Scale Alignment within Inspiro System**

According to EAC staff rules and regulations salary scales in the Inspiro HR and payroll system have been configured as screenshot below. However, the Audit Commission comparison between configured salary scale amounts and actual salary amounts in the payroll revealed a discrepancy where a staff member is being paid a basic salary exceeding the maximum amount specified for their respective scale. This discrepancy arises from the Inspiro system's failure to tie the configured values of salary scales to the amounts during employee registration and payroll processing. The root cause of this issue is the lack of configuration in the Inspiro system to enforce a verification process that ties the salary amounts during employee registration and payroll processing to the configured values of the salary scales.

**Table 2.1.20: Salary scales Configuration in the Inspiro HR and payroll system**

Job Grade Code	Scale No	No Of Steps	Minimum Basic	Maximum Basic
CAS	1	10	100	1000
CNS	1	1	0.01	0.02
D1	1	1	6006	6845
D2	1	1	6846	7000
G1	1	1	277	346
G2	1	1	347	909
G3	1	1	910	1308
G4	1	1	1309	1845
G5	1	1	1846	2407
P1	1	1	2408	3169
P2	1	1	3170	3561
P3	1	1	3561	4000
P4	1	1	4001	4357
P5	1	1	4358	6005

Management reported that the issue was fully implemented by strictly enforcing Salary scales.

**Committee Observation**

This omission allows for basic salary payments that exceed the stipulated maximum amounts.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management implements a validation mechanism in the Inspiro application to cross-verify salary amounts during employee registration and payroll processing against the configured salary scales, thereby ensuring adherence to established structures, preventing unauthorized deviations, and enhancing accuracy and compliance in payroll disbursements*

**2.1.11.20 Excessive Deductions in Inspiro Payroll System**

Regulation 55 (2) of EAC Staff Rules and Regulations states that a member of staff's total salary deductions shall not exceed 50% of his or her monthly salary. However, the Audit

Commission reviewed the monthly payroll and identified instances where employees had deductions surpassing the 50% limit on their basic salary as described Table 2.1.21 below.

**Table 2.1.21: Excessive Deductions**

<b>PF No.</b>	<b>Salary USD</b>	<b>Total Deductions USD</b>	<b>% Deductions</b>	<b>Payroll Month</b>
<b>58</b>	719	517	50.81330778	May
<b>103</b>	286	375.82	54.53780293	August
<b>103</b>	286	375.82	54.53780293	September
<b>259</b>	1,500	837.5	55.83333333	July
<b>259</b>	1,500	925	61.66666667	August
<b>259</b>	1,500	925	61.66666667	September
<b>259</b>	1,500	925	61.66666667	October
<b>259</b>	1,500	925	61.66666667	November
<b>259</b>	1,500	925	61.66666667	December
<b>259</b>	1,113	925	83.10871518	January
<b>259</b>	1,500	1,100	73.33333333	February
<b>259</b>	1,500	1,100	73.33333333	March
<b>259</b>	1,500	1,100	59.23532579	April
<b>259</b>	1,500	1,100	73.33333333	May
<b>259</b>	1,500	1,100	73.33333333	June
<b>271</b>	1,348	1,171.8	52.18134777	August
<b>271</b>	1,348	1,171.8	52.18134777	September
<b>351</b>	1,000	575	57.5	February
<b>351</b>	1,060	575	54.24528302	March
<b>351</b>	1,060	575	54.24528302	May
<b>351</b>	1,060	575	54.24528302	June
<b>360</b>	2,500	2,050	82	March
<b>490</b>	3,668	2,750	55.91703945	February
<b>538</b>	1,496	1,750	85.53274682	November
<b>5073</b>	1,500	890	59.33333333	May
<b>5073</b>	1,500	890	59.33333333	June
<b>9051</b>	3,462	2,150	62.10283073	February
<b>9051</b>	3,462	2,150	62.10283073	March

The root cause of this issue lies in the Inspiro system's capability to restrict over deductions not being enabled. Although the system has the functionality to limit deductions, it has not been configured to enforce the 50% cap, allowing for deductions exceeding the specified threshold.

Management clarified that the functionality that restricts deductions to comply with 50% cap on salary deductions was implemented within the system.

**Committee Observation**

The absence of enforced limits on salary deductions has the potential to lead to financial strain on employees, undermining the intended protection provided by Regulation 55 (2). This non-compliance may impact staff welfare, financial planning, and overall job satisfaction, posing reputational and legal risks to the organization.

**Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management configures the Inspiro Payroll System to enable functionality that restricts salary deductions in compliance with the 50% cap.***

**2.1.11.21 Inaccurate Annual Leave Balances**

The Audit Commission report on the annual leave balance report generated from the Inspiro system revealed inaccuracies in the computation of opening and closing annual leave balances for certain staff as indicated in Table 2.1.22. Specifically, the opening and closing balances for the months of June, July, and August were not accurately computed, raising concerns about the overall accuracy of the closing balance for the fiscal year 2022/2023.

**Table 2.1.22: Inaccuracies in Computation of Leave Days**

<b>Payroll No.</b>	<b>Employee Code</b>	<b>Closing June</b>	<b>Opening July</b>	<b>Closing July</b>	<b>Opening Aug</b>	<b>Closing Aug</b>	<b>Opening Sept</b>
<b>388</b>	000388	60	60	57	60	60	60
<b>316</b>	000316	50	50	42	42	41	42
<b>489</b>	000489	38	38	38	61	58	58
<b>438</b>	000438	37	37	37	37	37	37
<b>452</b>	000452	44	55	50	45	30	30
<b>525</b>	000525	51	52	52	52	52	52
<b>530</b>	000530	50	50	50	50	37	66.5
<b>432</b>	000432	49	40	40	40	40	62
<b>25</b>	000025	52	63	63	52	52	52
<b>75</b>	000075	0	41	41	0	0	0
<b>481</b>	000481	60	0	0	60	60	60

The root cause of this issue is attributed to inadequate system controls within the Inspiro system. Insufficient mechanisms are in place to effectively carry forward the closing balance for annual leave from one month to another, resulting in miscalculations and discrepancies in the reported balances.

Management reported that the issue was fully implemented by setting the leave days computation on monthly basis.

**Committee Observation**

The inaccuracies in computing opening and closing annual leave balances introduce uncertainty into the Inspiro reporting, affecting the reliability of the annual leave data for affected staff.

**Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management enhances the Inspiro system with robust controls to accurately carry forward closing balances for annual leave from one month to the next.***

**2.1.11.22 Non-Accommodation of Salary Payables in Inspiro HR and Payroll System**

During the audit reconciliation of Inspiro and Sun systems, the Audit Commission identified discrepancies in the figures of basic salary for the month of June as indicated in Table 2.1.23.

**Table 2.1.23: Discrepancies in Figures of Basic Salary for the Month of June**

<b>BASIC SALARY JUNE 2023</b>		
<b>INSPIRO</b>	<b>SUN SYSTEM</b>	<b>DIFFERENCE</b>
<b>474,045.72</b>	534,080.53	60,034.81

Further investigation uncovered that staff whose contracts had ended but were still rendering services awaiting contract renewal had their basic salary and benefits processed directly in the Sun system instead of Inspiro. This deviation raises concerns about the authenticity of records, as payroll-related payments should be initiated and authorized in Inspiro before being posted to the General Ledger (GL) in the Sun system. The root cause of this issue lies in the incapability of Inspiro HR and payroll system to capture salary payables and map them with respective GL accounts in the Sun system. The deficiency in system capability leads to the direct posting of payments in the Sun system, bypassing the proper payroll processing controls in Inspiro.

Management reported that the issue was under discussion on how to implement between the two systems (InspiroPeople vs Sun Systems that shares payroll data).

**Committee Observations**

- i. The direct posting of payments in the Sun system without proper initiation and authorization in Inspiro introduces the risk of inaccurate financial reporting, compromising the integrity of payroll records.
- ii. The absence of records in Inspiro for salary payables bypasses the necessary controls and transparency, raising concerns about accountability in the payroll processing and authorization workflow.

**Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to direct the Secretariat Management to:***

- i. Enhance the integration capabilities of Inspiro HR and payroll system to ensure that the system can capture and appropriately map salary payables with corresponding GL accounts in the Sun system.***
- ii. Ensure that all salary-related payments, including payables for staff awaiting contract renewal, are initiated, and authorized in Inspiro before being posted to the GL in the Sun system.***

**2.1.11.23 Housing allowance processed out of Inspiro HR and payroll system**

The Audit Commission noted that during payroll processing for the month of October, housing allowances for four staff members were omitted and directly posted to the Sun system accounting system, bypassing the integration interface between the Inspiro payroll system

and the Sun system. This is attributed to the absence of a review mechanism in the Sun system, where a single individual is entrusted with payroll processing, leading to undetected errors.

**Table 2.1.24: House Allowance Processed outside the System**

<b>HOUSING ALLOWANCE OCTOBER</b>		
<b>INSPIRO</b>	<b>SUN SYSTEM</b>	<b>DIFFERENCE</b>
<b>111,400.00</b>	114,200.00	2,800.00

<b>STAFF MEMBERS</b>			
<b>Employee code</b>	<b>Transaction Reference</b>	<b>Base Amount(USD)</b>	<b>Transaction Date</b>
<b>000475</b>	October 2022	400.00	23/11/2022
<b>000384</b>	October 2022	1,000.00	23/11/2022
<b>000536</b>	October 2022	1,000.00	23/11/2022
<b>000261</b>	October 2022	400.00	23/11/2022

Additionally, a house allowance payment of USD 2000 for one staff member, posted in the Sun system on 30 June 2023, was not found in Inspiro HR and payroll system. This discrepancy arises from the lack of restrictions in the Sun system, allowing the direct posting of payroll-related transactions without passing through Inspiro. The root cause of this issue is twofold. Firstly, the absence of a robust review process in the Sun system, relying on a single person for payroll processing. Secondly, the absence of restrictions in the Sun system allows payroll-related transactions to be directly posted to the accounting system without passing through Inspiro.

Management reported that the issue has been fully implemented and all staff emolument are processed within the system.

#### **Committee Observations**

- i. Omitted housing allowances and discrepancies in house allowance payments raise concerns about the accuracy and completeness of payroll data, impacting financial reporting.
- ii. The absence of integration controls and a review mechanism in the Sun system diminishes accountability and oversight in the payroll processing workflow, contributing to undetected errors.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management enhances integration controls between the Inspiro payroll system and the Sun system so that all payroll-related transactions pass through the designated interface, thereby preventing direct postings that bypass the established workflow.***

#### **2.1.11.24 Misclassification of Transport Allowance**

The Audit Commission noted that during the payroll processing in the Inspiro payroll system for the period spanning January to October 2023, an error occurred, resulting in the misallocation of transport allowance for one staff member. The system is configured to do the mapping of salary and allowances with GL accounts for each staff member in the payroll

system instead of employing a global mapping approach. Consequently, the Audit Commission discovered that the payment for transport allowance for one staff was erroneously posted to the housing allowance GL account in the accounting system. This misalignment led to inconsistencies in the reported figures for transport and housing allowances between the two systems. The primary cause of this issue is the human error in the mapping process within the Inspiro payroll system. The system lacked a global mapping approach, and individual mappings were conducted for each staff member, contributing to the misallocation of transport allowance to the housing allowance GL account in the accounting system.

Management clarified that issue was fully implemented by mapping the GL Codes in respect with all the Staff emoluments within the system.

**Committee Observation**

The misallocation of transport allowance figures resulted in misstatements in the reported figures for both transport and housing allowances in the accounting system, impacting the accuracy of financial statements.

**Committee Recommendation**

*The Committee recommends that the Assembly urge the Council to ensure Secretariat Management enhances the Inspiro payroll system by implementing a global mapping approach for salary and allowances, thereby establishing consistent mapping rules that apply uniformly to all staff members and reducing the risk of errors during payroll processing.*

**2.1.11.25 Discrepancies in Education and Spouse Allowance Payments between Inspiro and Sun System**

During the audit reconciliation process, the Audit Commission identified differences between the figures in Inspiro HR and payroll system and the Sun system accounting system for payments related to education and spouse allowances.

**Table 2.1.25: Discrepancies in Education and Spouse Allowance Payments between Inspiro and Sun System**

JULY			
ALLOWANCE	INSPIRO	SUN SYTEM	DIFFERENCE
Education	454,000.00	450,000.00	4,000.00
Spouse	21,600.00	21,450.00	150.00

Further investigation revealed that these discrepancies originated from adjustments made in the GL that lacked proper justification. The primary cause of this issue is the absence of effective controls governing payroll adjustments in the Sun system. Adjustments were made without proper justification, leading to discrepancies between the two systems during the reconciliation process.

Management reported that it has fully addressed the discrepancies by mapping the GL Codes in respect with all the Staff emoluments within the system.

**Committee Observations**

- i. Inadequate controls over payroll adjustments increase the risk of unjustifiable entries,

- potentially resulting in financial misreporting and inaccuracies in financial statements.
- ii. The lack of controls hinders the establishment of a clear audit trail for payroll adjustments, making it difficult to verify the validity and appropriateness of the adjustments made in the GL.

### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management implements robust controls within the Sun system to govern payroll adjustments, requiring proper documentation and justification for each adjustment made in the General Ledger, with the HR department involved in authorizing such adjustments in the system.***

#### **2.1.11.26 Non-Adherence to EAC Financial Procedures on Local Purchase Order Processing**

The Audit Commission report on review of the commitment ledger revealed a deviation from the established criteria, as several LPOs were initiated and posted in the Sun system by individuals outside the designated Procurement Unit. Specifically, Trim Expert, Receptionist, Sun Systems Administrator, and Accountants were found to have created and posted LPOs. The root cause of this issue is the failure to customize the Sun system in alignment with the prescribed business operations and the guidelines outlined in the EAC Financial Procedures Manual in respect to initiation and posting of LPOs.

Management acknowledged the audit finding and clarified that administrative circulars pertaining to the transfer of the TRIM expert and Receptionist to the procurement and travel office respectively and these two users were given on-desk training by the SunSystems administrator before their user IDs were created in SunSystems to enable them carry out their new roles. Management further clarified that the SunSystems administrator and accounts assistant only confirm LPOs where procurement officers encounter system challenges when creating those LPOs. The rights to clear those errors were to be given to the Senior Procurement Officer.

### **Committee Observation**

Allowing individuals outside the Procurement Unit to create and post LPOs introduces the risk of unauthorized purchases, compromising the integrity of the procurement process.

### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management initiates the customization of the Sun system to enforce strict adherence to the EAC Financial Procedures Manual, restricting LPO initiation and posting permissions exclusively to authorized personnel within the Procurement Unit.***

#### **2.1.11.27 Violation of Segregation of Duties and Inconsistencies in Goods Receiving Process**

The Audit Commission identified instances where the same individual performed both the LPO creation and corresponding Goods Receiving Note (GRN) in the Sun system, contravening the required segregation of duties within the Procurement Unit. Furthermore, goods were received in the system by the Sun system administrator instead of the designated Stores Officer, as stipulated in the EAC Financial Procedures Manual. The root cause of this issue can be

attributed to a breakdown in adherence to established procedures and controls within the Sun system. The system lacks sufficient checks to enforce the segregation of duties, allowing the same individual to perform conflicting roles in the procurement process.

Management acknowledged the audit finding and clarified that it has disabled the right to confirm the LPOs assigned to the Stores group in Sunsystems.

### **Committee Observations**

- i. The absence of clear segregation of duties introduces a heightened risk of fraud and errors, as individuals may have undue influence over multiple stages of the procurement process.
- ii. Violations of the prescribed roles and responsibilities outlined in the EAC Financial Procedures Manual undermine compliance with established financial protocols, raising concerns about the integrity of the procurement process.

### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management strengthens controls within the Sun system to enforce segregation of duties in LPO creation and goods receiving, including system modifications to restrict users from performing conflicting roles within the procurement workflow.***

#### **2.1.11.28 Anomalies of invoice and LPO matching within Sun System**

During the review of control effectiveness within the Sun system accounting system, the Audit Commission identified discrepancies in the amounts between Local Purchase Orders (LPOs) and their respective invoices whereby invoice amount is greater than LPO amount, this was contrary to financial procedures which requires any additional amount to undergo approval by raising LPO for additional cost. Further analysis revealed instances where invoices were created before the confirmation of the corresponding LPO, indicating a deviation in timing. The root cause of this issue is a breakdown in adherence to established procedures within the Sun system. There may be deficiencies in the system's controls, allowing inconsistencies in amounts and deviations in the timing of LPO and invoice approvals.

Management acknowledged the audit finding and clarified that any increase in the Imprest LPO amount given to the staff is approved before it is matched and posted in the system. Management committed to configure the system to restrict matching of amounts higher than the LPO amount so that a new LPO is created for the balance from what is on the LPO and the Invoice by end of February 2024.

### **Committee Observation**

Overpayment to suppliers or payment to unauthorized procurement timing deviations pose a risk of unauthorized expenditure, as invoices may be processed before necessary approvals are obtained, undermining the control framework.

### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management strengthens controls within the Sun system to enforce validation checks for matching amounts between LPOs and invoices, and institutes controls to prevent invoice completion prior to the confirmation of corresponding LPOs.***

#### **2.1.11.29 Control Gaps in the Issuance and Retirement of Staff Imprests within Sun system**

The Audit Commission report on assessment of Sun system controls over the issuance of staff imprests revealed shortcomings. Instances were identified where new imprests were issued before the retirement or accounting of previous advances. Furthermore, there were cases of multiple imprests being issued to the same staff on the same day. The root cause of this issue lies in deficiencies in the configuration and enforcement of controls within the Sun system. The system lacks effective checks to ensure the systematic retirement of outstanding imprests before new issuances and to prevent multiple imprests on the same day.

Management reported that implementation of the Requisition and accountability module was still on going.

#### **Committee Observation**

The issuance of imprests before the retirement of previous advances may lead to difficulties to enforce retirement of imprest consequently resulting in increase in unretirement imprest.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management strengthens controls within the Sun system to prevent the issuance of new imprests until previous advances are retired or accounted for, and implements checks to stop multiple imprests being issued to the same staff on the same day.***

#### **2.1.11.30 Inaccurate Asset Categorization within Sun System**

The Audit Commission identified inaccuracies in the categorization of assets within the asset registers of both Sun system and Hardcat. Examples include five desktop computers were wrongly categorized as office equipment and office furniture, three application software miscategorised as computer equipment, and two visitors' chairs incorrectly labelled as computer equipment. Further inconsistencies were noted, with assets like cameras categorized inconsistently as computer equipment, office equipment, and communication equipment. Similarly, printers were inconsistently categorized as computer equipment, office equipment, and office furniture. The primary cause of this issue is the lack of a systematic review process during asset creation in Sun system and Hardcat. The responsibility for posting asset details in both systems to a single person contributes to errors in categorization, resulting in inaccuracies and inconsistencies in the asset registers.

Management clarified that this was implemented and the SunSystems functionality was enabled to assign the correct asset categories using Asset Classes.

#### **Committee Observation**

Incorrect categorization of assets jeopardizes the accuracy of financial reports, particularly in the computation of depreciation.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management institutes a dual review process within the Sun system and Hardcat during asset creation, requiring more than one person to verify and***

***approve asset details, thereby reducing the risk of categorization errors.***

### **2.1.11.31 Integration Gaps Result in Discrepancies in Asset Naming Between Hardcat and Sun System**

Section 1.12.12 (b) of the EAC Financial Procedure Manual sets criteria for the proper capitalization, recording, and individualized control of Property, Plant, and Equipment (PPE) items. The criteria stress the importance of assigning appropriate identification numbers and maintaining a detailed Assets Register. An audit comparison of the assets register in Hardcat Asset Management System with asset records in the Sun system accounting system revealed inconsistencies in asset names and asset code.

**Table 2.1.26: Inconsistencies in Naming and Coding of Assets**

<b>Asset Code</b>	<b>Asset Name (Hardcat)</b>	<b>Name (Sun System)</b>
<b>SCCEPR453</b>	Telephone headset cisco ip phone 7945	HP LaserJet Printer
<b>SCTETC047</b>	Chair green	Cisco IP Phone 7945 Gig Ethernet color, spare
<b>Asset Name</b>	Asset Code HardCat	Asset Code Sun system
<b>Mitsubishi - Station Wagon (From EASTECO)</b>	TCD585EAC	JMYLNV96WF
<b>CMC Finishing</b>	AD1CECF01	AD1CECF001

The primary cause of this issue is the absence of a robust integration mechanism between Hardcat Asset Management System and the Sun system accounting system. Without seamless integration, discrepancies arise in asset naming, hindering data consistency across the organization.

Management reported that the naming discrepancies were resolved in both systems.

#### **Committee Observation**

Inconsistencies in asset names compromise the accuracy and reliability of data in both systems, potentially leading to errors in financial reporting and decision-making.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management develops and implements an effective system integration solution between the Hardcat Asset Management System and the Sun accounting system, enabling real-time synchronization of asset data including names to maintain consistency.***

### **2.1.11.32 Inadequate Cybersecurity Controls**

The audit of the Hardcat asset management system uncovered a critical cybersecurity incident where the application's security records were breached as a result of a ransomware attack on the organization's vital systems. Despite incurring substantial costs for external experts, investigation, and data restoration, the review of the investigation report failed to conclusively identify the entry point and mode of the ransomware attack. Consequently, management lacks

the necessary information to implement targeted preventive controls to avert or mitigate future incidents. The causes include: The absence of a robust information security program aligned with recognized cybersecurity frameworks has left the entity vulnerable to cyber threats; The entity's failure to conduct regular vulnerability assessments and penetration tests has created a blind spot in identifying and addressing potential weaknesses in the information security infrastructure; and The absence of a dedicated Information and Communication Technology (ICT) security officer. Without a designated professional overseeing cybersecurity, there is a lack of strategic planning, risk assessment, and continuous improvement in security measures.

Management clarified that this was resolved and the EAC continuously monitors the security challenges.

#### **Committee Observation**

The ransomware attack resulted in a severe disruption of critical systems and substantial financial ramifications. The incident underscores deficiencies in the entity's cybersecurity defences, posing a threat to the confidentiality, integrity, and availability of data.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management establishes the entry point and mode of the ransomware attack with appropriate controls to mitigate future risks, and requires the Principal IT Officer to provide regular cybersecurity awareness sessions to employees, emphasizing vigilance against phishing and social engineering tactics.***

#### **2.1.11.33 Unutilized e-Procurement System Modules**

The Audit Commission observed that while the e-procurement system was acquired in 2022 to manage the entire procurement process, it is presently used only for publishing tenders. Modules designed for purchase requisition, tender evaluation, and awarding remain unutilized. The causes include: The failure to leverage the budget functionality for uploading annual budget impedes the utilization of the purchase requisition module; and the underutilization of the tender evaluation and award modules is attributed to inadequate management enforcement to ensure comprehensive utilization of the available features.

Management concurred with audit recommendation. Management committed to explore the integration of BMS with e-Procurement in order to fully utilize other module designed for purchase requisition and budgeting.

#### **Committee Observation**

Failure to leverage the full potential of the system prevents the organization from benefiting fully from the streamlined and automated procurement procedures designed to enhance efficiency and transparency.

#### **Committee Recommendation**

***The Committee recommends that the Assembly urge the Council to ensure Secretariat Management activates and fully utilizes the budget functionality within the e-procurement system to upload the annual budget enabling comprehensive use of the purchase requisition module and streamlining procurement initiation and enforces active oversight to ensure all modules within the e-procurement system are consistently used.***

## 2.2 EAST AFRICAN COMMUNITY PROJECTS AND PROGRAMMES

### 2.2.1 EAST AFRICAN CAPACITY BUILDING PROJECT

#### 2.2.1.1 Review of Budget Performance

##### 2.2.1.1.1 Absorption of Project Budget

The Audit Commission report on review of the approved annual work plan and the budget for the year 2022/2023 revealed that the project planned to implement 41 activities with a budget of USD 3,857,917. However, analysis of the implementation status showed that 11 activities valued at USD 474,034 were partially implemented while 30 activities USD 2,659,217 had not been implemented at all.

Management reported that the EAC/AfDB Capacity Building Project has received four successful disbursements amounting to USD 4,596, 350 by the end of July 2025. This amount is equivalent to Disbursement Ratio of 43% of the Total Grant Amount of about USD.10, 560,000 and the implementation of planned activities were ongoing.

#### Committee Observation

Delayed implementation of projects/activities may lead to withdrawal or reduced financial support by the development partners. Hence, the set targets/ objectives may not be achieved.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management examines the reasons why planned activities were not implemented as scheduled and takes appropriate corrective action going forward.***

#### 2.2.1.2 REVIEW OF EXPENDITURE

##### 2.2.1.2.1 Misclassification of Expenditure

Para 106 of IPSAS 1 requires all items of revenue and expense that are material in their nature and amount to be disclosed separately. The Audit commission noted that all material items of expenditure such as DSA-Staff, DSA-Delegates, hiring of conference facilities and Air tickets were disclosed separately in the financial statements but some were mixed among different classes of expenditure such as DSA to Staff and DSA to Delegates. The anomalies were mainly relating to DSA to Delegates classified as DSA to Staff and vice versa.

**Table 2.2.1: Expenditure misclassified in the books of account**

Description	Transaction Date	Transaction Reference	Description	Base Amount	Audit comments
				<b>USD</b>	
DSA or 1/4DSA - Staff	27/03/2023	IMP/SEC/014661	Jane Rose Apolot	19,400	Paid to delegates but recorded under DSA staff
DSA or 1/4DSA - Staff	31/05/2023	IMP/SEC/014626	Jonathan Sessanga	10,800	USD10,800 paid to delegates but

					recorded under DSA staff
DSA or 1/4DSA - Staff	30/04/2023	IMP/SEC/014711	Godfrey Mshanga	8,700	Paid to Delegates but recorded under DSA staff
Hiring of Conference Facilities	31/03/2023	IMP/SEC/014632	Obwori A Nyambane	1,357	Paid to delegates
DSA or 1/4DSA - Staff	30/05/2023	IMP/SEC/014692	Godfrey Mshanga	6,000	Was paid to Delegates but recorded under DSA staff
DSA or 1/4DSA - Staff	30/03/2023	IMP/SEC/014527	Johson Daniel	1,582	USD1,582 was for fuel not DSA.
DSA or 1/4DSA - Staff	31/03/2023	IMP/SEC/014653	Jackson Dominic	3,259	USD 3,259 Was paid to Delegates and recorded under DSA staff
Total				<b>51,098</b>	

Management reported that the DSA was planned for staff but was charged as delegates during implementation. The challenge was related to under budgeting where more funds were budgeted for staff than delegates.

#### **Committee Observation**

The ledger account of DSA for delegates and staff is misstated as such it may mislead users of the financial statements.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that project Management properly follows the chart of accounts when posting transactions.***

#### **2.2.1.2.2 Failure to Claim Refundable VAT for Long**

During the review of the project financial statements, the Audit Commission noted that refundable Value Added Tax (VAT) amounting to USD 2,907 was not claimed for the period of nine (9) months (from March- December 2023) to the respective revenue authorities. See details in the table below:

**Table 2.2.2: Refundable VAT not claimed for long**

<b>Partner States</b>	<b>Balance as at 30 June 2023 USD</b>
<b>March 2023</b>	
RWANDA	374
BUJUMBURA	532.83
RWANDA	219

TANZANIA	1,269.56
KENYA	511.81
Total	<b>2,907</b>

Management informed the committee that the VAT was not yet recovered. The delay was due to the fact that the project prepared imprest schedules and submitted them to the Secretariat main Accounts Office to be forwarded to the revenue authority.

### Committee Observation

Failure to recover tax paid as required, deprives the Project to obtain funds to finance its planned activities.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management liaises with the EAC Secretariat Management to fully support claimable funds, thereby enabling management to initiate the process of claiming those funds.***

## 2.2.1.3 REVIEW OF PROCUREMENT PROCESS

### 2.2.1.3.1 Delay in Execution of the Procurement Plan

The Audit Commission noted that the protocol of agreement on EAC Capacity Building Project between the EAC and ADB was signed on 9<sup>th</sup> June 2022 with execution period of 4 years. i.e until 30 June 2026. The project activities started in December 2022. A procurement plan comprising 7 tenders of goods and 13 consultancies with a cost of USD 1,686,150 and USD 5,283,900 respectively was prepared and the contracts for most of them were expected to be signed in June 2023. However, no contract had been signed by the end of the year and yet the project has a fixed time line for completion.

When the Committee interacted with the Project Management, it explained the execution of the procurement plan as indicated in Table 2.2.3. below.

**Table 2.2.3: Status of Execution of the Procurement Plan**

Procurement Description	Amount in US\$	Status of Implementation 27 <sup>th</sup> October 2025
Procurement of equipment for OSBP (ICT hardware and software, WASH facilities, CCTV, integration of cargo tracking and scanning systems)	945,000	The preparatory phase for the implementation of the project was completed across eight OSBPs—Taveta/Holili, Isebania/Sirari, Namanga/Namanga, Lunga Lunga/Horohoro, Busia/Busia, Malaba/Malaba, Kobero/Kabanga, and Rusumo/Rusumo. This phase entailed the assessment and specification of ICT infrastructure, security surveillance systems, and CCTV requirements. The request for a no objection from the Bank for the procurement of the full package of ICT and security equipment, including computers, CCTV cameras, security lights, printers, scanners, photocopiers, and UPSs is under preparation and was submitted to the Bank in the first week of November, 2025.
Deployment of simple aflatoxins diagnostic	259,200	The Bank's no-objection was granted for the procurement to lead in the deployment of the diagnostic technologies and the procurement has since been advertised. The evaluation of bids is scheduled for

technologies for 12 priority OSBPs		November 2025 to enable subsequent execution.
ICT hardware and software for establishment of e-registry in Burundi and South Sudan	67,500	This procurement stalled to accommodate a bigger redesigned support for the two Partner States involving ICT Equipment, Solar power support to ensure available power for the registries and training of officials managing the registries and selected stakeholders. This support is currently estimated at US\$ 544,000. The Request for a no objection from the Bank was prepared and sent on first week of November, 2025.to enable subsequent execution.
ICT equipment to establish regional SEZ/Industrial Parks knowledge platform	48,600	The Bank's no-objection was granted and the procurement of a firm of consultants to design and support the ICT requirements for the knowledge platform was advertised. The evaluation of bids is scheduled for November 2025 to enable subsequent execution.
ICT hardware and software for the executive dashboard and database	67,500	The Bank's no-objection was granted for the procurement of an M&E expert to design the ICT requirements and develop the capacity to manage the dashboard effectively. The evaluation of bids is scheduled for November 2025 to enable subsequent execution.
Acquisition of hardware and software for Internal Audit Management System (IAMS)	122,850	The Bank's no-objection was granted for the procurement of the hardware and software for the IAMS that has since been advertised. The Bank further approved the contract extension for the Consultant who is already on Board. The evaluation of bids is scheduled for January, 2026.
Acquisition of two all-terrain drive vehicles to provide logistical Support.	175,500	The Bank granted the no objection for the re-launched procurement process of the vehicles. The process has commenced targeting Tanzania based suppliers for faster response. The procurement is expected to be concluded in early December 2025.
Total cost	1,686,150	

### Committee Observation

The delay in the implementation of the procurement plan may derail the achievement of the project's objectives.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management identifies the bottlenecks hindering the conclusion of the procurement process and subsequently fast-tracks the implementation of project activities.***

#### 2.2.1.4 REVIEW OF CORPORATE GOVERNANCE

##### 2.2.1.4.1 Failure to Prepare Interim Financial Reports

The Audit commission noted that these reports were not prepared and submitted to the Fund during the period under audit. This was also noted during the supervision mission.

Management took note of the audit recommendations and clarified that, EAC is on the final stages to recruit project staff who will form part of the Project management team to enable the project to properly execute its functions.

### Committee Observation

This is a violation of the terms of the agreement and may have a negative effect on the flow

of funding to the project.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management fast tracks the establishment of the Project Implementation Team and ensures compliance with the terms of the agreement.***

#### **2.2.1.4.2 Delay in establishing Project Implementation Team and Steering Committee**

The Audit Commission noted that during the time of audit in December 2023 (after twelve (12) months from the implementation of project's activities in December 2022), the PMT has not been established and the project is currently operated by an Acting Coordinator and Accountant who are secretariat staff and are also engaged in other secretariat activities. In addition, the project did not have a project Steering committee to oversee the project activities.

Management reported that the core Project Management Team was fully constituted comprising the Project Coordinator - Mr. Philip Wambugu; Project Accountant - Samson Shimimana; Customs and Trade Capacity Building Expert - Mr. Stephen Analo, Investment Expert - Mr. Deogratius Mbarara, and Railways Expert – Ms. Beatrice Akun, and the consultant for Audit and Risk Management System. Management further clarified that the Project Steering Committee is in place and has so far held two meetings in December 2024 and August 2025. The membership of the Committee is as per the table below:

**Table 2.2.4: The Project Steering Committee**

S/N	Name	Position	Role
1.	Ms. Annette Mutaawe Ssemuwemba	Deputy Secretary General Customs, Trade and Monetary Affairs	Chairperson
2.	Mr. Andrea Aguer Ariik Malueth	Deputy Secretary General Infrastructure	Co-Chairperson
3.	Ms Flavia Busingye	Director Customs and Trade	Member
		Director Social Sectors	Member
4.	Mr Aime Uwase	Director Planning	Member
5.	Mr. Jean Baptiste Havugimana	Director Productive Sectors	Member
6.	Mr Fahari Marwa	Principal Agricultural Economist	Member
7.	Mr Charles Omusana	Principal Economist (Investment & Private Sector Promotion)	Member
8.	Eng. Godfrey Enzama	Principal Civil Engineer	Member
9.	Mr Godfrey Magadu [Overseeing Head of Finance]	Director Finance	Member
10.	James Chol Deng Nuer	Procurement Officer	Member
11.	Jonathan Sessanga	Project Manager	Member
12.	Mr Samson Shimimana	Project Accountant	Member
13.	Mr Phillip Wambugu	Project Coordinator	Secretary

### **Committee observation**

Absence of Project Management Team and Project Steering Committee (PSC) affects negatively the implementation of project activities as the oversight role of the PSC is not exercised.

### **Committee recommendation**

**The Committee recommends to the Assembly to urge the Council to direct project management to fast track the establishment of the Project Implementation Team and the Project Steering Committee and ensure compliance with the terms of the Contract agreement.**

## **2.2.2 PAYMENT SETTLEMENT SYSTEM AND INTEGRATION PROJECT (PSSIP)**

### **2.2.2.1 BUDGET PERFORMANCE**

#### **2.2.2.1.1 Underperformance of Budget for the year Ended 30 June, 2023**

The Audit Commission review of the budget performance report indicated that PSSIP budgeted to spend USD 3,330,440, of which USD 354,869 (11%) was received. The project also had an opening balance of USD 986,432 resulting to USD 1,341,301 available for utilization. However only USD 885,368 (66%) was spent.

**Table 2.2.5: Budget Performance for the year ended 30 June 2023**

<b>DESCRIPTION</b>	<b>Budget</b>	<b>Amount received</b>	<b>variance</b>	<b>% Variance (Under performance)</b>
	<b>A</b>	<b>B</b>	<b>C=(A-B)</b>	<b>D=(C/A)*100</b>
<b>REVENUE</b>				
Special funds from Development	3,330,440	354,869	2,975,571	11
Total Revenue	3,330,440	354,869	2,975,571	11
Salary, Wages and Employee Benefits	300,000	216,000	84,000	72
Administrative Meeting and Consultancy Expenses	1,059,940	504,186	504,182	48
Finance costs	1,500	239	1,261	16
Financial Management Infrastructure for Partner states Central Banks	1,969,000	164,943	1,804,057	8
<b>Total</b>	<b>3,330,440</b>	<b>885,368</b>	<b>2,445,076</b>	<b>27</b>

When the Committee interacted with the Project Management, it reported that the delay due to absence of procurement specialist. Management further reported that the RSS ATS took 2 years. Most of the projects are high value and procurement was not undertaken for 3 years which led to under performance.

### **Committee Observation**

Unutilized budget represents planned activities that were not implemented. The year's planned project objectives may not have been achieved.

### **Committee recommendation**

**The Committee recommends to the Assembly to urge the Council to ensure that Project Management addresses the highlighted bottlenecks, including the recruitment of a procurement specialist, and expedites activities that are behind schedule to avoid further delays in the completion of the project.**

## 2.2.2.2 CASH AND CASH EQUIVALENT

### 2.2.2.2.1 Irregularities in the preparation of bank reconciliation statements

The Audit Commission report on the review of the monthly bank reconciliations statements for the two bank accounts operated by the EAC-PSSIP during the financial year ended 30 June 2023 revealed that the reconciliations were undertaken. However there were delays in undertaking these reconciliations as Eight (8) months bank reconciliation statements for bank account number 3390773924 and Six (6) months bank reconciliation statements for account number 3390529713 were prepared late with a delays ranging from Ten (10) to Thirty-Two days as indicated in the table below.

**Table 2.2.6: Irregularities in the preparation of bank reconciliation statements**

MONTH	BANK RECONCILIATION DUE DATE	PREPARATION DATE	DELAY IN DAYS
<b>AUG</b>	10.Sep.2022	26.Sep.2022	16
<b>SEPT</b>	10.Oct.2022	17.Oct.2022	07
<b>OCT</b>	10.Nov.2022	16.Nov.2022	06
<b>DEC</b>	10.Jan.2023	25.Jan.2023	15
<b>MAR</b>	10.Apr.2023	11.Apr.2023	02
<b>JUN</b>	10.Jul.2023	01.Aug.2023	22
<b>JUL</b>	10.Aug.2023	20.Sep.2023	32
<b>Aug</b>	10.Sep.2023	20.Sep.2023	10

**Table 2.2.7: EAC /PSSIP ACCOUNT NUMBER 3390529713**

MONTH	BANK REONCILIATION DUE DATE	PREPARATION DATE	DAYS DELAYED
<b>AUG</b>	10.Sep.2022	26.Sep.2022	16
<b>SEPT</b>	10.Oct.2022	17.Oct.2022	10
<b>OCT</b>	10.Nov.2022	16.Nov.2022	06
<b>DEC</b>	10.Jan.2023	25.Jan.2023	15
<b>MAR</b>	10.Apr.2023	11.Apr.2023	02
<b>JUN</b>	10.Jul.2023	01.Aug.2023	22

Management took note of the audit observation and committee to prepare the bank reconciliation on time but clarified that having one finance staff for the project possess a challenge during annual leave and especially if the system is unavailable remotely.

#### **Committee Observation**

Untimely preparations of bank statements leads to errors going undetected for a period of time which could lead to loss of funds.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management prepares Bank Reconciliations in a timely manner.***

## 2.2.2.3 EXPENDITURE MANAGEMENT

### 2.2.2.3.1 Untimely Requests for Travel

Contrary to Section 6.2 (d) of the EAC Financial Procedures Manual 2013 which requires that,

requests for Travel be made two weeks (10 working days) before the date of departure, the Audit Commission noted that Travel requests are made for less than ten days before the date of departure which could have resulted into purchasing tickets in uneconomical price. Sample of the Request of Approval which was made untimely are indicated in the table below;

**Table 2.2.8: Untimely Request for Travel Approval**

S/N	Name of Payee	Reviewed Document	Date of request	Dates of Travel	number of days request made
1	Teresia Ndivo	Travel request	Not indicated	28/05/2023	
2	Teresia Ndivo	Travel request	10/05/2023	14/05/2023	04
3	Poentra Anjimbi	Travel request	05/04/3023	10/04/2023	05
4	Teresia Ndivo	Travel request	11/04/2023	16/04/2023	05
5	Isaiah Odiwuor	Travel request	23/01/2023	29/01/2023	06
6	Poentra Anjimbi	Travel request	23/01/2023	29/01/2023	06
7	Teresia Ndivo	Travel request	23/01/2023	29/01/2023	06
8	Jane Muriungi	Travel request	05/12/2022	06/12/2023	01
9	Teresia Ndivo	Travel request	30/09/2022	05/10/2022	05
11	Simon Lenkaa	Travel request	29/08/2022	04/09/2022	05

Management took note of the Audit observation and committed to process travel documentation in good time to benefit from cheaper flight costs.

**Committee Observation**

The project may be purchasing tickets at the higher cost and this could have led to increase of expenditure on the tickets.

**Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management plans travel and requests approval at least two weeks before the travel date in order to obtain better prices.***

**2.2.2.3.2 Doubtful Expenditure amounting to USD 6,880**

The Audit Commission report on the examination of various expenditure items for the reviewed period revealed some payments that lacked adequate documentation, raising concerns about the genuiness of these transactions, as indicated in the table below.

**Table 2.2.9: Doubtful Expenditure**

Account	Date	Details	Amount	Audit Remarks
2210505	2023/005	Hiring of Conference Facilities	3,380.00	Supporting - Conference attendance register, Report of the workshop not attached
2230114	2023/005	DSA or 1/4DSA - Staff	1,400.00	No supporting documents such as boarding passes, copy of passport, Attendance register, Report of the workshop

2230114	2023/008	DSA or 1/4DSA - Staff	2,100.00	Perdiem Claimed for 6 days whereas supporting documentations is only for 5 days. Thus, overclaim by USD 350
<b>Total</b>			6,880.00	

### **Committee Observation**

The lack of adequate documentation to support the expenditure could imply that the funds were not used for the intended purposes.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management provides comprehensive support for all payments through relevant documentation, thereby upholding transparency and accuracy in expenditure records.***

### **2.2.2.4 OPERATIONAL PERFORMANCE**

#### **2.2.2.4.1 Delayed achievement of milestones for the capacity building program of EAC-PSSIP project**

Project reports have shown that there has been a lapse in capacity building for the judiciary across member states, EACJ, and EALA since the original project start date in December 2017. This gap specifically relates to effectively managing contractual disputes in payment and settlement systems. Furthermore, there has been a failure in implementing awareness campaigns aimed at educating the population about retail payment systems and the use of electronic payment methods.

Management reported that the training component of the project was implemented on a need-be basis. Partner States Central Bank provided the Terms of References for gaps identified in the areas of payment system and submitted to AfDB for consideration and No Objection. All central banks received training and undertook study tour/visits as requested. The EAC organized targeted training and study tours for regional training that were undertaken by all central banks. Management further clarified that awareness for EALA and EACJ were already finalised.

### **Committee Observations**

- i. Without expertise in payment and settlement systems, judges may find it difficult to identify and tackle financial crimes effectively. This could potentially lead to overlooked fraudulent activities or lenient judgments due to a lack of understanding.
- ii. The lack of awareness among EAC citizens might hinder their ability to fully embrace and benefit from electronic payment systems.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management collaborates with the EAC Secretariat and Partner States to design and implement a comprehensive publicity strategy and sensitization programs aimed at educating EAC citizens on deployed electronic payment systems, their advantages, associated risks, and providing guidance on secure and effective usage.***

#### **2.2.2.4.2 Delayed implementation of EAPS helpdesk system**

Upon reviewing the project implementation reports, the audit commission noted that the planning and requirement phase for the acquisition of EAPS helpdesk system which includes the need assessments and system specifications have not been conducted to guide the implementation of the helpdesk system. The delay to implement the system is approximately 26 months (2 years and 2 months).

Management reported that the delay was occasioned by Partner States Central Banks providing system technical requirements specifications agreed and AfDB providing the No Objection to the bidding document. Management clarified that that all countries were trained and implementation finalized in September 2025.

#### **Committee Observations**

- i. Inefficient tracking and management of system user inquiries, complaints and technical issues may result into reduced efficiency and effectiveness of system usage.
- ii. Information regarding system user issues, resolutions, and recurring problems may not be recorded which can hinder the ability to identify trends, patterns and areas for improvement.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management collaborates with National Central Banks and EAC-PSSIP Management to ensure the timely implementation and operationalization of the EAPS helpdesk system for improved operational efficiency.***

#### **2.2.2.4.3 Gaps noted in project monitoring and evaluation mechanisms.**

Upon the review of the progress report of EAC-PSSIP Executive Committee meeting of May 2021, the Audit Commission report revealed that since the implementation of: (i) the upgrade of Real Time Gross Settlement Systems (RTGS) of the partner states of central banks of Kenya, Tanzania and Uganda; (ii) Efficient core banking platforms and network systems to facilitate straight through processing for faster payment for central banks of Rwanda and Uganda; (iii) Business continuity planning (BCP) and Disaster recovery site (DRS) platforms that functions satisfactory to enable critical functions of the central banks continue in the event of disruptions for central banks of Burundi, Kenya, Rwanda and Tanzania. The central banks of the partner states have not yet submitted project completion reports for the completed activities and their related benefits. In addition, the review of EAC-PSSIP progress reports indicated the omissions of activities' schedule (*timeline*), quality metrics and risks per each beneficiary central bank in order to identify any deviations from expected targets and to assess the impact of deviations on the intended project deliverables.

Management reported that there is M&E which meets once in a year which updates project statistics every much. The completion project report was prepared with exception of South Sudan.

#### **Committee Observations**

- i. Without detailed reports and metrics, it is challenging to evaluate whether the project is achieving its intended objectives and delivering the expected outcomes.
- ii. Completion reports and performance metrics provide valuable insights into what worked well and what did not during the project implementation. Hence, without this information, there is a missed opportunity for learning and implementing improvements in future project activities.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management incorporates key performance criteria such as project activity schedules, quality metrics, and risk assessments into project progress reports to enable effective monitoring and evaluation of project activities.***

### **2.2.2.4.4 Delayed implementation of CPI system for Burundian Central Bank**

The Audit Commission report on review of project progress indicated that the support for development of Central of Payment Incident (CPI) system for retail payments monitoring and secure payment flows for the bank of the Republic of Burundi has not been implemented. In addition, the procurement of supporting infrastructure (*computers and printers*) for business continuity plan for alternative site is still in progress.

Management reported that the process of procuring consultants started in 2019 and 3 procurements were so far done and the funding was not sufficient. A repeat was done and procurement was not completed and the project closed. CPI for Burundi Central Bank was dropped and shall not be implemented.

### **Committee Observation**

Delayed implementation may contribute to decreased confidence in the security of payment flows and prolonged downtime in case of disruptions.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management collaborates with the Burundi Central Bank to ensure the timely implementation of the system and the procurement of business continuity hardware, thereby serving the intended objectives.***

### **2.2.2.4.5 Concerns over the implementation of the modernization of payment systems for the Central Bank of South Sudan**

Upon the review of the project progress reports and statement of confirmed disbursements, the Audit Commission noted that core activities of the project relating to the acquisition and installation of payments systems and their integrations with East African Payment System (EAPS) has not yet been implemented since 2019 and the last disbursement is scheduled on 30 June 2024. The acquisition and installation of payment systems is still in the contract signature process and the implementation of SWIFT infrastructure for integration purposes with EAPS is still ongoing. Furthermore, it was revealed that the disbursement ratio of the total amount signed is on 14.25%, which indicates a slow progress in the implementation of project activities.

The management clarified that the procurement and installation of an upgraded IT infrastructure including the necessary replacements/upgrades in hardware and software, comprising the upgrade of LAN Datacenter, storage, UPS and disaster recovery center; The Evaluation of bids was concluded and a vendor identified. The Evaluation Report was submitted to AfDB for No Objection. The Generator was supplied, awaiting installation. Procurement and installation of users' desktop and upgrade of OS to support the national payment system was completed. Procurement and implementation of SWIFT Gateway and SWIFT Net connectivity; is completed. Procurement and implementation of Automated

Transfer System, a hybrid system that includes the automated Clearing House (ACH) system and the Real Time Gross Settlement System (RTGS). Contract signed and implementation had commenced.

#### **Committee Observation**

Slow progress can lead to missed deadlines, causing delays in the overall project timeline.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management collaborates with the Central Bank of the Republic of South Sudan to complete the remaining project activities within the set timelines and thereby achieve the intended project objectives.***

### **2.2.2.5 INFORMATION SYSTEM AUDIT**

#### **2.2.2.5.1 Transactions posted in wrong accounting period**

In accordance with EAC Financial procedures manual section 19.3.6, Institutions are required to post all journals in the general ledger for the accounting period. The analysis of the general ledger for the year under review extracted from the SunSystem revealed that the system allows the transaction dates to be accounted with the incorrect accounting period during posting of expenditures. Thirty-two (32) transactions (inclusive of double entry) were found to have transaction dates, which do not correspond to the correct accounting period.

Management clarified that this was an error during the logging into the system and promised to address it.

#### **Committee Observation**

Improper recording of transactions may distort the accuracy of financial statements.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management enhances system validity controls for the verification of transaction recording to ensure effective financial reporting.***

### **2.2.3 EASTERN AFRICA REGIONAL STATISTICS PROGRAM FOR RESULTS PROJECT (EARSForR)**

#### **2.2.3.1 REVIEW OF GOVERNANCE**

##### **2.2.3.1.1 Delayed Establishment of East African Bureau of Statistics**

The Audit Commission noted that the East African Community Statistics Bureau Bill, 2017 provided for the establishment of the East African Community Statistics Bureau as an institution responsible for the development, production and dissemination of community statistics in order to support the establishment of the East African Community Monetary Union. Review of the Project's documents showed that the Draft EASB Bill, 2017 was adopted by the Council of Ministers in March 2017 and submitted to the EALA for enactment. However, EALA is yet to approve the bill. The functions of the EASB are currently being carried out by the Statistics department at the EAC Secretariat who may not have the capacity in terms of resources to harmonize, consolidate, coordinate, and regulate the development, production, and dissemination of Community statistics.

Management reported that EALA passed the Bill in 2018 but it was not assented to because one Partner State raised some objection which was subsequently addressed. The Bill was recently passed by EALA awaiting assent.

### **Committee Observation**

The investments made will not be sustainable as there is no management and leadership to oversee the East African Community Monetary Union implementation.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management liaises with EALA Management to fast track the enactment of the East African Community Statistics Bureau Bill, 2017, thereby enabling the establishment of the East African Bureau of Statistics.***

#### **2.2.3.1.2 Non-Integration of Democratic Republic of Congo into the Project's Activities**

The Democratic Republic of Congo (DRC) was admitted as the newest member of the East African Community following recommendation of the Council at the 19<sup>th</sup> Ordinary Summit of the EAC Heads of States held on 29 March, 2022. The development objective of the Eastern Africa Regional Statistics Program for Results is to strengthen the capacity of NSOs in Partner States enabling them to compile, analyse and disseminate statistics. The Audit Commission however noted that the Project is yet to involve the National Statistics Office in Democratic Republic of Congo in its activities.

Management clarified that the project was negotiated before DRC became member of EAC. Nevertheless, for regional project activities, DRC is always invited. A scoping mission was planned in order to help to identify required support on national activities.

### **Committee Observation**

The Project Democratic Republic of Congo National Statistics Office is missing out on the opportunities the project has to offer.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management, in consultation with the EAC Secretariat, explores avenues to integrate the National Statistics Office in the DRC into the activities of the Project.***

#### **2.2.3.2 REVIEW OF BUDGET PERFORMANCE**

##### **2.2.3.2.1 Status of implementation of Planned Activities**

The Audit Commission reported that the budget for EAC StatDHRP plus EARSFforR for the period ended 30 June, 2023 amounted to USD 7,109,537 and restructuring did not affect budget lines since activities remained the same. The implementation of the project activities is vested with the steering committee and EAC Management plus Supervision Mission from World Bank. The EARSFforR Steering Committee is responsible for providing Policy and strategic oversight to the project, while the EAC Management is responsible for overseeing project operations. The Audit Commission however noted that despite all the above guidelines, the Project budgeted for USD 7,109,537 for 53 core activities for achieving the project objectives, but noted there were those fully achieved and those that performed poorly.

**Table 2.2.10: Status of Implementation of Planned Project Activities**

Range (%) –Achievement of planned activities	Numbers of activities	%
70-100	19	36
50-69	3	5
Below 50	12	23
Not implemented	19	36
<b>Total</b>	<b>53</b>	<b>100</b>

Project Management clarified that preparation of a budget at the starting of the ongoing budget sometimes leads to planning of activities linked to some processes that need to be approved expecting the process will be completed. Given the long duration before starting of the planned budget, the number of activities to be implemented are sometimes overestimated. Management reported that it has learnt from the setbacks while preparing the work plan for the following year cycle.

#### **Committee Observation**

The failure to achieve or partial achievement of set targets may have significant effects on the Project including; missed opportunities, decline in overall performance, loss of stakeholder confidence, resource misallocation, lack of direction and reputation risks.

#### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management:***

- i. Regularly evaluates its annual plan to identify potential obstacles and take corrective actions to mitigate future risks;***
- ii. Embraces flexibility, adaptability, and a willingness to learn from setbacks in navigating challenges arising from unmet targets; and***
- iii. Engages relevant stakeholders to address impediments so they do not affect the new project.***

#### **2.2.3.3 REVIEW OF HUMAN RESOURCE**

##### **2.2.3.3.1 Delayed Procurement of Additional Project Staff**

The Audit Commission observed that Section 4.4.2 of the Project Implementation Manual dated July, 2022 states, that in addition to the current StatDHRP Project Staff, EAC StatPforR will recruit five (5) experts on; i.) Social Safeguards and M&E Specialist; ii.) Demographic and Health Statistics Specialist, iii.) Education and Gender Statistics Specialist, iv.) Procurement officer, and v.) Database Management Specialist. However, the Audit Commission noted that the five (5) experts are yet to be recruited.

Management clarified that the procurement of the new staff was ongoing. Management further clarified that it was at the level of finalizing the evaluation reports before uploading them for approval and subsequent notifications to the successful candidates, preparation of their contracts and on boarding.

#### **Committee Observation**

The delay in recruiting the essential experts, raises concerns about the project's ability to fulfill its objectives within the stipulated time frame.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management expedites the recruitment process for the required experts.***

#### **2.2.3.3.2 Failure to Prepare Training Needs Assessment for the Project**

Section 4.6.4 (vi) of the Project Operations Manual of July 2022 on staff training stated that at the beginning of every financial year a Training Plan will be drawn up based on an assessment of individual training needs and the available budget. This will be presented for approval by the World Bank and the EAC HR department. The Training Plan will be implemented as approved. All staff are required to prepare and present back to office reports after each respective training session. The Audit Commission report on Review of the Project's documents revealed that the project did not prepare training need assessment for its staff for the period ending 30 June, 2023 as required by Project Operations Manual.

Management noted the recommendation and clarified that the development of the training plan was not yet finalised. Nevertheless, staff were asked to identify their training needs assessment. Management clarified that the next activity was to train NSOs on the developed guidelines and staff were expected to identify their training needs at this level. However, the staff has been participating in trainings on invitation.

### **Committee Observation**

Training that is not based on a training need assessment may not address critical skills and knowledge gaps within the project. As a result, the training may not be as effective in improving job performance and achieving desired outcomes.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management carries out a training needs assessment at the beginning of each financial year to address knowledge gaps within the staff.***

#### **2.2.3.3.3 Unfilled Positions in the Procurement Unit**

Review of available staff list revealed that the project does not have a Procurement Officer. The Audit Commission noted that the Procurement Specialist deserted duty from April 2023 leaving the procurement unit vacant. Management did not have a documented plan of terminating his contract and procuring a replacement.

Management agreed with the audit findings and clarified that the delay in filling these positions was associated with an extended procurement process that took longer than expected. Management clarified that since the project currently has a Procurement Officer and considering the limited duration remaining for the project, the World Bank advised the Department not to proceed with the recruitment of the Procurement Specialist.

### **Committee Observation**

The failure to procure a Procurement Specialist negatively impacts on effective functioning of the procurement unit. This could result in delays, inefficiencies, and potential non-compliance with procurement guidelines and or increasing cases of mismanagement of project resources.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management recruits a procurement specialist to guarantee continuity in the procurement function.***

### 2.2.3.4 REVIEW OF PROCUREMENT

#### 2.2.3.4.1 Delayed Procurement of Independent Verification Agencies

The Audit Commission report on review of the project's documents indicated that the Project had completed procurement of one of the IVAs while the other remained pending. The IVAs are the primary verifying agency for the first two results areas on harmonization, quality, dissemination and use of statistics and availability & new data sources respectively. The two result areas have eight (8) disbursement linked indicators.

Management clarified that the procurement of one (DATAFIRST) of the two verifications agencies was completed and the agency started the verification of results submitted. Procurement of the Second (UNECA) agency was still ongoing.

#### Committee Observation

Possibility of delayed disbursements of funds since disbursements under the Program are made based of verified results by the Independent Verification Agencies, as measured by Disbursement Linked Indicators (DLIs).

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management fast-tracks the procurement of Independent Verification Agencies.***

### 2.2.3.5 PROJECT IMPLEMENTATION

#### 2.2.3.5.1 Partial Implementation of Harmonization Regional Guidelines by Partner States

The Audit Commission report on review of the assessment on guidelines implementation dated December, 2022 indicated that Partner States lagged behind on implementation of the harmonization guidelines as shown below.

**Table 2.2.11: Status of Implementation of Harmonization Guidelines by Partner States**

	Sector/Statistics Domain							
	HCPI	Poverty	NA	ESS	GFS	MFS	FSI	Agriculture
Partner State/ Target	78%	85%		70%	75%	80%	80%	75%
Burundi	54%	81%		51%	49%	78%	59%	35%
Kenya	71%	79%		56%	55%	75%	69%	54%
Rwanda	73%	74%		57%	55%	77%	85%	51%
South Sudan	46%	58%		30%	46%	34%	46%	30%
Uganda	70%	78%		58%	55%	88%	73%	53%
URT	65%	71%		55%	53%	62%	77%	54%

<b>Average</b>	63%	73%		51%	52%	69%	68%	46%
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Management clarified that after development of the guidelines, the EAC technical sat with the PS experts to assess the status of implementation of the recommendations for harmonization of statistics in the region for each sector. This assessment helped to build the capacity of PS statistics compilers with the objective of improving the compilation of statistics in the region. It acted as monitoring guide to assess progress to harmonizations of statistics in the regions vis implementation of the developed guidelines.

### **Committee Observation**

Non-achievement of the objectives of the project.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management builds the capacity of Partner States to fully implement the harmonization guidelines, thereby enabling the production of data and fostering demand for harmonized statistics within countries and across the region.***

#### **2.2.3.5.2 Dissemination of Outdated Statistics at the EAC Data Portal**

The Audit Commission noted that the EAC data portal has interfaces that display the links to the databases on number of aspects of the partner states information. Moreover, the disseminated data at EAC Open Data Platform (ODP) currently displayed inconsistencies in years making the statistics incomparable which may be confusing amongst the users of the information. A regional approach to statistics is needed to produce and disseminate better harmonized data at the national, regional and international level, this will close the gap between regional guidance on harmonization and national production of statistics. A comparison of Key indicators with their sub- indicators as displayed on the EAC data portal to revealed inconsistencies and dissemination of outdated data.

Management took note of the observation and committed to rectify the anomaly.

### **Committee Observations**

- i. Outdated information can lead to confusion among visitors who rely on the website for accurate and up-to-date information. This can result in a loss of trust in the organization and its ability to provide reliable data;
- ii. Outdated information can hinder effective decision-making. If individuals or organizations are relying on the website to gather information about the member states, they may make decisions based on incorrect or incomplete data. This can have serious consequences, especially in areas such as trade, diplomacy, or policy-making; and
- iii. Outdated information can impact the reputation of the East African Community as a whole. It may be seen as a reflection of poor governance, lack of attention to detail, or even negligence. This can undermine the credibility and legitimacy of the organization, both domestically and internationally.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management regularly updates and maintains accurate member states' data on its website, adopts a systematic process of data collection, verification,***

***and timely updates, and conducts regular audits and quality checks to identify and rectify inconsistencies or outdated information.***

#### **2.2.3.5.3 Non-Utilization of the HCPI Software**

The East African Community entered into a contract with ICT Consults Limited for the design, supply and installation of a fully compatible EAC Regional Consumer Price Index amounting to USD 286,755. The Audit Commission report on Review of the Project's documents revealed that the Consultant was fully paid in accordance with the contract. The outputs of the phase five included; Production of the user manual guides at the EAC and Partner States levels; Facilitate the Partner States validation workshop for the developed regional CPI software; and Together with other relevant documentation, share final software source codes with the EAC. However, review of validation report for phase five dated April, 2023 revealed that sharing of relevant documentation and software source codes had not been implemented since the Consultant was still installing and configuring different Partner States NSO servers to host own HCPI software. It was thus not clear why the Consultant was fully paid yet some deliverables were still pending. In addition, EAC internal Audit carried out a verification exercise on the implementation of the HCPI software by the Partner States in July 2023 and noted that the uptake of the software was very low with Partner States facing various challenges.

Management reported that it undertook the first round of identifying the challenges faced by the Partner States during the testing of the CPI Software and established that the Partner States were unable to develop the required structures to be uploaded into the system before testing or piloting it. Technical Support was provided to all Partner States (Except Kenya and DRC) on how such structures should be developed and uploaded into the system and how to make the necessary updates to those structures. Management further promised to consult with the Secretariat to carry out an appraisal of challenges facing the Partner States to ensure full implementation of HCPI software.

#### **Committee Observations**

- i. Lack of value for money for the investment done in acquiring the system which is not fully utilized.
- ii. Non-compliance to terms of the signed contract as mentioned above in the observation implies that EAC Secretariat may not achieve the intended HCPI software development project and may be exposed to a risk of sustaining financial loss if the project fails.
- iii. The non-utilization of the intended software HCPI will definitely hinder the decision towards economic, social and political integration of the region as articulated in the Treaty for the Establishment of the East African Community include the Customs Union, Common Market, Monetary Union and ultimately the Political Federation.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management ensures the consultant delivers all agreed contract deliverables to the satisfaction of Partner States.***

#### **2.2.3.5.4 Lack of a Service Level Agreement for the HCPI Software**

Section VII (7) of the request for proposal document on the requirements of the information system set out the timing and delivery of outputs. On maintenance and support the requirements were; The consultancy firm will undertake CPI software maintenance and support for 6 months after commissioning. Agree to enter into a 1-year service level

agreement (SLA) with EAC. The contract maybe renewed on need basis. During the period of maintenance and support and SLA, the consultancy firm will continue to building capacity to the implementation team. Review of the Project's documents and enquiry from management reveled that there was no service level agreement for maintenance and support for HCPI software.

Management reported that the draft SLA was developed and reviewed by various key stakeholders within the EAC Secretariat namely Procurement and IT. In addition, the Draft SLA was reviewed by the Steering Committee of the EARSForR during their 3<sup>rd</sup> Ordinary meeting that was held in November 2023. However, the 6<sup>th</sup> Extraordinary meeting of the Sectoral Committee on Statistics (SCS) held in August 2023, gave a directive to have the Draft SLA approved by SCS before any further final processing is made. Hence the draft SLA was expected to be presented to the next meeting of the SCS for review and approval and thereafter the final processing of the SLA will follow.

#### **Committee Observation**

The Partner States may not be receiving the support they need in the implementation of the HCPI software.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management fast tracks the signing of the contract for the Service Level Agreement (SLA).***

### **2.2.4 EAC STATISTICS DEVELOPMENT AND HARMONIZATION REGIONAL PROJECT**

#### **2.2.4.1 REVIEW OF ACCOUNTS RECEIVABLE**

##### **2.2.4.1.1 Outstanding VAT from Partner's States**

The Audit Commission reported that the Statement of Financial Position as at 30 December, 2022 reflects USD 229,545 being accounts receivable which relates to outstanding VAT refunds from different partners states. Audit also noted that the VAT recoverable increased from USD 222,567 as at 30 June 2022 to USD 229,545 for period ended on 30 December 2022 representing an increase of USD 6,978. It is important to note that the project closed in December 2022 and assets transferred to EAC Secretariat.

Management reported that it has submitted request for VAT Refund through the coordinating ministry and was awaiting for the refund.

#### **Committee Observation**

Recoverability of the claims is doubtful.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that Project Management liaises with the EAC Secretariat to closely follow up with the relevant authorities regarding the long-outstanding amount of VAT recoverable.***

## 2.3 EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)

### 2.3.1 REVIEW OF FINANCIAL STATEMENTS

#### 2.3.1.1 Long Out standing Payables

The Audit Commission reported an amount of USD 9,167 relating to long outstanding creditors older than one year as detailed in the Table below.

**Table 2.3.1: Payables outstanding for more than one year**

Account	Account Name	Opening Amount	Closing Amount
71101A003	ADELA MANSARIA KUPA	2 040	2 040
71101D003	D.T DOBIE KENYA LTD	7 127	7 127
<b>Total</b>		<b>9,167</b>	<b>9,167</b>

No plausible explanation was given for the delays.

EALA Management reported that settlement of obligations is backed by availability of cash. Management clarified that EALA has legitimate expectations when they are due but availability of funds hinders prompt settlement of obligations. Management took necessary steps seeking a reconciliation by writing to the suppliers awaiting their response, going forward. Management further clarified that the list of creditors is always shared with Commission and council and the obligations are usually prioritised.

#### Committee Observation

Unsettled obligations may lead to legal battles and the Assembly is at risk of losing creditworthiness reputation from its suppliers.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management reconciles the long-outstanding accounts payable and settles them accordingly, while also ensuring timely payments to creditors to maintain the Community's positive reputation with its suppliers.***

#### 2.3.1.2 Failure to pay insurance premiums on time

The Audit Commission noted from the records of Assembly that Life and Medical Insurance service is a shared service with the EAC Secretariat and as at 30 June, 2023 insurance premium amounting to USD 113,594 remained unpaid to the two service providers for periods close to one year.

**Table 2.3.2: Unpaid Insurance Premium**

Account	Account Name	Outstanding Amount
71101J008	Jubilee Insurance Tanzania Ltd	8,876
71101L009	Liberty Life Insurance Kenya LTD	104, 718

<b>TOTAL</b>	<b>113,594</b>
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Management reported that this was due to liquidity challenges arising from delayed remittances. Management further reported that as a contingent measure, it held meetings with the service providers to make them aware of the delays, concerns and getting a way forward on the new payment plan reschedule. The entire amount was eventually settled in October and November 2023 as Partner States remitted their obligations.

#### **Committee Observations**

- i. Failure to pay insurance premiums on time contravenes the requirement of the law governing the Insurance services in Tanzania.
- ii. The Assembly is exposed to the risk of no coverage during the period of non-payment.
- iii. Failure to pay insurance premium might lead to termination of insurance services by the service provider and hence non-insurance to Members and staff of the Assembly.
- iv. EALA might suffer losses without compensation due to no-compliance with terms and conditions of the signed contract.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management includes favourable clauses in contracts to protect the institution in cases of delayed payment, with insurance coverage effected upon signing of the contract rather than after payment of the premium.***

#### **2.3.2 REVIEW OF EALA STRATEGIC PLAN 2019-2024**

The Audit Commission reported that the Assembly's third strategic plan (2019-2024) ends in June 2024. The strategic plan articulated the EAC priority Development areas into EAC Strategic Development Objectives and Eleven (11) Strategic Objectives and Specific interventions. Strategic Objective One articulated EALAs resolve to facilitate the implementation of the four pillars of the EAC integration agenda which include Customs Union, Common Market, Monetary Union and Political Federation. The audit commission however, noted the following key outstanding areas in line with the key strategic objectives: -

##### **2.3.2.1 Failure to attain a fully functional Customs Union**

The Audit Commission noted that whereas some of the bills have been enacted and others tabled, the attainment of a fully functional customs union is yet to be fully achieved.

Management concurred with the observations but clarified that it brought this issue to the attention of the EALA Commission to take it up progressively with the Summit, the Council and the Secretary General. It is noteworthy that the Assembly has adopted a resolution that requires the Chairperson of the Council on a quarterly basis, to update the Assembly on the status of implementation of the four pillars of integration, while at the same time the Assembly has created an annual platform for the Chairperson of the Summit to address East Africans on the state of EAC integration.

#### **Committee Observation**

Failure to attain a fully functional customs union undermines the spirit of integration.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management liaises with the relevant stakeholders to fast track the***

***enactment of the necessary legislation and the implementation of key activities towards the attainment of a fully functional EAC Customs Union.***

### **2.3.2.2 Failure to attain a fully functional Common Market**

The Audit Commission noted that whereas it is less than a year to the end of the 2019-2024 Strategic plan period, limited achievements have been made towards attaining a fully functional common market for the community which hinders the progress of integration.

When the Committee interacted with EALA Management, it reported that the matter was brought to the attention of the EALA Commission for onward action by the Summit, the Council, the Secretary General and the Partner States. It is noteworthy that the attendant laws to fully implement the Common Market Protocol, was left to the respective EAC Partner States.

#### **Committee Observation**

Failure to attain a fully functional common market limits the free flow of factors of production amongst the EAC member states thus increasing the cost of production and limiting the markets for goods resulting in slow economic growth.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management liaises with the relevant stakeholders to fast-track the enactment of the necessary legislation and the implementation of key activities towards the attainment of a fully functional EAC Common Market.***

### **2.3.2.3 Non-Establishment of the EAC Monetary Union Institutions**

The Audit Commission noted that little progress has been made towards achieving the third pillar of EAC Monetary Union during the implementation period of the 2019-2024 strategic plan.

Management concurred with the Audit Commission's observations but clarified that it brought this to the attention of the EALA Commission for onward action with the Summit, the Council and the Secretary General. Management further clarified that EALA passed the necessary laws but the Council is yet to finalize the criteria for hosting the institutions.

#### **Committee Observation**

Failure to enact relevant laws in time hinders the timely attainment of EAC development and integration agenda objectives.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management liaises with the relevant stakeholders to fast-track the enactment of the necessary legislation and the implementation of key activities to enable the establishment and operationalization of EAC Monetary Institutions.***

## **2.3.3 REVIEW OF HUMAN RESOURCE MANAGEMENT**

### **2.3.3.1 Delayed Remittance of Gratuity to EAC Secretariat**

The Audit Commission report on review of Gratuity receivable balance from EAC Secretariat

of USD 1,008,408 revealed that gratuity totalling to USD 641,319 relating to the last 6 months of the financial year was yet to be remitted. The outstanding remittances were subsequently settled in October 2023 and November 2023 indicative of delays of five (5) to nine (9) months. Audit Commission also noted that, up to November 2023, EALA did not remit the gratuity for 5 months of the year 2023/24. The total outstanding amount of gratuity up to the time of audit is USD 535,226.

Management reported that the outstanding gratuity in question was never remitted by EALA to the Secretariat arising from liquidity challenges as at 30<sup>th</sup> June, 2023. The accrued amount of USD 641,319 was settled at the time of audit in November, 2023 as Partner States remitted. It is noteworthy that untimely contributions impact negatively on the ability to remit gratuity on time as required of management.

### **Committee Observation**

With accumulated unremitted gratuity to EAC Secretariat, EALA may not be able to pay the gratuity to the staff and members upon expiry of their contracts. This irregular practice exposes the Organization to high legal and reputational risks.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management collaborates with the EAC Secretariat to develop an improved financing model for the Assembly to meet its obligations in a timely manner, and further urges that the outstanding gratuity balance of USD 535,226 be paid immediately.***

### **2.3.3.2 Gaps in the Staffing**

The Audit Commission report on review of the EALA approved staff establishment revealed Thirty-three (33) positions. However, only twenty-three (23) positions were substantively filled during the year under review leaving ten (10) positions unfilled. The Audit Commission noted that EALA currently relies on a lean structure with some key functions such as internal audit, budgeting, procurement, stores and legal being shared with EAC secretariat. The Clerk who is the head of EALA according to the EAC organizational structure is placed at P5 which is lower than his peers heading the other of two organs who are in Executive Management level. The reporting structure impedes on the authority of the clerk to make executive decisions, hence diminishing the power of EALA over other organs and as it misses out the opportunity to participate in executive meetings.

**Table 2.3. 3: Staff establishment of EALA**

<b>ESTABLISHED JOB TITLE</b>	<b>GRADE</b>	<b>Approved No.</b>	<b>Filled</b>	<b>Deficit</b>
Hansard Editor	P2	1	0	1
Network Administrator	P2	1	0	1
Personal Assistant to Speaker	P2	1	0	1
Senior Clerk Assistant	P2	5	2	3
Senior Public Relations Officer	P2	1	0	1
Hansard Reporter	P1	2	1	1
Research Officer	P1	1	0	1

Senior Personal Secretary to Speaker	G5	1	0	1
<b>TOTAL</b>		<b>33</b>	<b>23</b>	<b>10</b>

Management concurred with the Audit Commission's observations and reiterated that the need to urgently address EALA staffing shortfalls and gaps in the structure has been duly reported by management to the EALA Commission which has recommended the appointment of 7 successful candidates. The EALA Commission has also recommended the Council and the Secretary General to recruit staff to the remaining vacant posts. Management further concurred with the Audit Commission's observations regarding the low grade of the Clerk who remains the only EAC staff head of organ or institution serving at non-executive level. This anomaly has been brought to the attention of the Council to upgrade the position of the Clerk to executive level position to match the demands and supervisory functions of the office. Regarding the thin EALA structure, management concurred with the Audit Commission that the EALA structure has glaring gaps in certain key functions and has duly brought this to the attention of the Council which directed that the structure first be discussed in a retreat of the Coordination Committee. The retreat was yet to be convened.

### **Committee Observation**

Deficiencies in EALA's structure have a negative impact on its ability to deliver on its mandate.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management continues engaging the relevant EAC Organs to review the EALA structure and make appropriate changes to enable it to effectively execute its mandate.***

#### **2.3.3.3 Delayed Recruitment of EALA Staff**

The Audit Commission reported that seven (7) positions were advertised to fill vacant positions in the EALA structure in June, 2021. This was aimed at reducing the staff gaps that have hampered its operations over time. Upon conclusion of the recruitment process, the successful candidates were presented for approval before the 43rd Council of Ministers Meeting held between 19th to 23 February 2023. Council appointed the staff and directed the Secretariat to submit the names of these persons to seek a no objection from the Assembly in respect of their appointment as required by Article 49 (2) (f) of the EAC Treaty. However, the Audit Commission noted that the appointment of these staff in table below had not been effected more than nine (9) months from the time of the Council directive.

**Table 2.3.4: Appointed staff by Council**

<b>No</b>	<b>Position</b>	<b>Grade</b>	<b>Gender</b>	<b>Nationality</b>
1	Hansard Editor	P2	Female	Ugandan
2	Hansard Reporter	P1	Female	Kenyan
3	Senior Clerk Assistant	P2	Female	Tanzanian
4	Senior Clerk Assistant	P2	Male	Ugandan
5	Senior Clerk Assistant	P2	Male	Ugandan
6	Network Administrator	P2	Male	South Sudanese
7	Senior Public Relations Officer	P2	Male	South Sudanese

Management concurred with the Audit Commission that the process of recruitment of new staff at EALA led to delays right from advertisement up to the point of filling the vacant positions. Management however clarified that the EALA Commission subsequently gave a no objection and the staff were onboarded.

#### **Committee Observation**

There is a risk that the suitable candidates identified through the interview process may no longer be available for employment with the continued delays in concluding resulting in incurring other recruitment expenses. The continued vacancy in the positions impact negatively on EALA's operational efficiency.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management fast tracks the process of future appointments of successful candidates.***

#### **2.3.3.4 Challenges in Engaging Temporary and Short-Term Contract Staff**

The Audit Commission reported that EALA has continued to engage temporary employees on six (6) months short-term contracts, which have been renewed continually since the time of the first contract. EALA has in post eighteen (18) short-term contract staff to cover for the current staff deficits. Review of their files revealed that twelve (12) of them have served under such terms for more than ten (10) years. In its 43rd Meeting held between 19th to 23 February 2023 under item 7.7, the Council of Ministers considered a request to confirm short term staff in their respective positions in the EAC structure. This request covered all the eighteen (18) contract staff under EALA together with cases from other EAC organs. The Audit Commission further noted that the Council of Ministers had not made a substantive decision regarding short term staff even though it had met several times, and the affected staff continued to be employed on temporary basis with a reduced contract period of three (3) months.

Management concurred with the Audit Commission and informed that Committee that it made a case for the temporary staff to be absorbed in the service of the Assembly in line with the EALA Commission decision of 2022 awaiting the decision of the Council.

#### **Committee Observation**

There is a risk of contravening the labour laws which may attract legal battles. More so, keeping staff on a short-term basis deprives them of certain benefits and hence keeps them demotivated.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to conclusively address the matter of the short-term staff.***

#### **2.3.4 REVIEW OF BUDGET EXECUTION**

##### **2.3.4.1 Long out standing Partner State Contributions**

The Audit Commission noted that the total expected contributions for the year amounted to USD 34,705,204 comprising current period contributions and arrears of USD 17,685,816 and USD 17,019,388, respectively. However, only USD 16,558,611 representing 48% of the total expected contributions was remitted by 30 June 2023, leaving behind unremitted contributions of USD 17,778,108. During the year under review, the Summit authorized write off of long outstanding receivables from Republic of South Sudan of USD 7,938,068 resulting in total receivables closing balance of USD 9,840,040. Of the balance, USD 3,242,813 has been

outstanding for periods exceeding one year. Further, USD 368,485 relating to receivables from Republic of Burundi was adjusted downwards to correct an overstatement of the prior year balance.

**Table 2.3.5: Analysis of Partner States Contributions**

Partner State	Amount Due at beginning of the year as per the FS (USD)	Appropriations during the year (USD)	Total Amount due (USD)	Contributions disbursed to EALA during the year (USD)	Write off / Adjustment	Outstanding amount at year end (USD)
Burundi	4,466,283	2,514,440	6,980,723	1,868,897	368,485	4,743,341
Kenya	4	2,514,440	2,514,444	2,514,433		11
Rwanda	333	2,514,440	2,514,773	2,514,285		488
Tanzania	671	2,514,440	2,515,111	2,514,456		655
Uganda	(9,415)	2,514,440	2,505,025	2,523,095		(18,070)
South Sudan	12,561,512	2,514,440	15,075,952	4,623,444	7,938,068	2,514,440
DRC	0	2,599,176	2,599,176	0		2,599,176
Total	17,019,388	17,685,816	34,705,204	16,558,611	8,306,553	9,840,040

Further, review of the current period receipts revealed that only USD 11,088,589 out of the expected USD 17,685,816 from Partner States was received leaving out an amount of USD 6,597,227 unremitted. As a result of the funding shortfall, EALA operations were funded by borrowings to the tune of USD 3,963,858 from the General Reserve. The sustainability of the Assembly's operations with the continued accumulation in receivables from partner estates cannot be guaranteed.

Management concurred with the Audit Commission's observations and clarified that the outstanding funds in question were never remitted by the Partner States and continue to increase every other year. Management has continued to issue reminders to the concerned Partner States to address their growing outstanding obligations.

#### **Committee Observations**

- i. Non-remittance of Partner States contributions in a timely manner negatively impacts on the implementation of planned EALA's activities;
- ii. The recoverability of long outstanding receivables over time is doubtful.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to address the challenge of long-outstanding receivables with the Partner States, as these impede the effective implementation of EALA's programs.***

#### **2.3.4.2 Adequacy of Budgetary Allocation to Fund EALA's Mandate**

The Audit Commission reported that the core mandate of EALA as bestowed by the EAC Treaty is legislative, oversight, representative and budget approval. A total USD 104,842,466 was projected as required resources for the implementation of the Strategic plan 2019-2024,

however, EALA’s budget trend over the three years of the plan has not been in line with the resource requirements for the implementation of the strategy. The annual under funding has expanded from USD 3.16 million during the 2020/2021 financial year to USD 5.4 million during the 2023/2024 financial year. The detailed analysis of annual budget requirements as per the strategic plan and the actual allocation is in the table below: -

**Table 2.3.6: Projected resources Vs Approved Budgets**

<b>Financial year</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/2024</b>
Projected resources as per the EAC MTEF	18,973,845	19,922,537	20,918,663	21,964,596	23,062,825
EALA’s Approved budgets	18,973,845	16,755,725	15,465,345	15,086,640	17,681,365
<b>Variance</b>	<b>0</b>	<b>3,166,812</b>	<b>5,453,318</b>	<b>6,877,956</b>	<b>5,381,460</b>

Management concurred with the Audit Commission’s observation and informed that informed that Committee that it brought this issue to the attention of the EALA Commission, the Secretary General and the Chairperson of the Council, to support additional resources to EALA to enhance its activities. Management further reported that over the years, the Council restricted the growth of the EALA budget which necessitates the Assembly to repeatedly seek supplementary budgets to bridge the gaps. This leaves the entity in a position that is not sustainable to meet its strategic objectives since some activities are not well funded.

**Committee Observation**

Underfunding of EALA negatively impacts on EALA’s ability to deliver on the planned activities which curtails its mandate.

**Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management collaborates with the EAC Secretariat to explore modalities of financing the Assembly for the smooth implementation of its planned activities.***

**2.3.4.3 Weak Controls over Budget Management**

**2.3.4.3.1 Lack of Budget check mechanisms**

The audit commission noted that EALA has not put in place the “Budget Check” function in its computerized system. Further, there is no manual budget monitoring tool in place. As a result, instances of budget overruns were noted in the main expenditure items as noted in the previous observation.

Management informed the Committee that it enabled Budget check function in Sun systems to stop budget overruns. Management further informed the Committee that the 32nd Council authorized heads of organs and institutions to make internal reallocations (**EAC/CM/32/2015-EAC/CM32/Decision 03**). Management further clarified that 3 Supplementary Appropriation Bills were passed to address the shortfalls since the DRC came on board therefore, having a positive variation.

**Committee Observation**

There is a risk of budget overruns contrary to Regulation 31 subsection 1 of the Financial Rules and Regulations of 2012. The overruns may impact on the implementation of other activities for which its budgets have been utilized.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management puts in place mechanisms for budget monitoring to ensure that expenditures and commitments are controlled within approved budget limits.***

#### 2.3.4.3.2 Budget overruns on key expenditure items

The Audit Commission reported that Payments on nine (9) Expenditure codes exceeded the approved budget limits on the account code leading to over expenditure of USD 1,801,489 as detailed below.

**Table 2.3.7: Budget and Expenditure Analysis**

Account Code	Description	Budgeted Amount	Actual Expenditure	Overrun	Percentage of Over Expenditure
2140101	Medical Cover-Executive Staff	94,600	114,198	19,599	17%
2140103	Medical Cover-Members	188,919	244,753	55,835	23%
2210306	Publicity (Banners, Press Releases etc.)	250	4,153	3,904	94%
2210401	Hiring of Vehicles	221,900	325,707	103,807	32%
2210507	Special Security Services	12,600	18,139	5,540	31%
2210509	Training Fees	3,400	4,300	900	21%
2210901	Refined Fuel & Lubricants for Motor Vehicle/Motorcycle	16,200	17,743	1,543	9%
2230104	Air ticket/Mileage – Members	1,045,600	1,276,098	230,498	18%
2230114	DSA or 1/4 DSA – Staff	1,279,900	2,659,764	1,379,864	52%
	TOTAL	2,863,369	4,664,858	1,801,489	39%

When the Committee interacted with EALA Management, it reported that it has enabled Budget check function in Sun systems which will stop budget overruns. Management further reported that unrealistic budget ceilings do not commensurately match the market price fluctuations since over years, the budgetary figures have conservatively been kept constant.

### Committee Observation

There is a risk that the over expenditure on expenditure codes may have denied funding to other critical activities and may have not been implemented.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management rationalizes the budget formulation and execution process in the future, ensuring that expenditure is kept within approved limits and that, where necessary, relevant approvals for re appropriations are sought before incurring expenditure.***

### 2.3.4.3.3 Under Budgeting for Air tickets

The Audit Commission report on review of documentation relating to tickets showed that the Air ticket costs were in most cases higher than the budgeted amounts for the different classes of tickets purchased by EALA. The Assembly budgeted for Business class and Economy class return tickets within the region at USD 1000 and USD 500, respectively. The Audit commission sampled 366 Air tickets for travels within the region, procured by the Assembly in the period under review whose budget was USD 221,750 but actual expenditure was USD 357,836 resulting into over expenditure/under budgeting of 61% worth USD 136,086.

**Table 2.3.8: Cost of air ticket analysis**

Class	Number of Tickets	Budget Ceiling	Total Paid	Over Expenditure	Percentage
Business	251	186,500	297,672	111,172	60%
Economy	85	35,250	60,164	24,914	71%
Grand Total	336	221,750	357,836	136,086	61%

Management reported that it regularly carries out market research on current pricing of tickets across airlines. Management further clarified that over the years the Council has restricted the growth of the EALA budget inclusive of ticket budgetary rates thus creating unrealistic budget ceilings which do not commensurately match the market price fluctuations.

#### Committee Observation

Setting of budget rates for air tickets that are lower than the market rates may imply that the approved budgets for air tickets may be unrealistic resulting in unnecessary budget reallocations.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management always conducts proper market research and incorporates realistic figures in the budget.***

### 2.3.4.3.4 Adequacy of Appropriated Budget for the Audit Commission Activities.

The Audit Commission noted that the appropriated budgets for the Audit Commission has been on the decline despite its expanded mandate. The expanded mandate is a result of the establishment of the new institutions and projects as well as the admission of Democratic Republic of Congo into EAC who automatically become members of the Audit Commission. Below is the analysis of the EAC appropriated budget for Audit Commission activities over the last five years.

**Table 2.3.9: Analysis of the Audit Commission over the last five years (USD)**

Financial Year	Requested Budget (USD)	Approved Budget (USD)	Budget Under funding	Actual Expenditure	Budget Deficit	Source of Bridge Funding
2019/2020	750,000	456,440	293,560	601,166	(114,726)	EALA main budget
2020/20	825,000	535,640	289,360	772,004	(236,364)	EALA main budget

21						
2021/2022	845,000	441,905	403,095	723,874	(281,969)	EALA main budget
2022/2023	865,000	441,905	423,095	779,056	(337,151)	EALA main budget
2023/2024	947,000	638,885	308,115	902,850*	(263,965)	EALA main budget
Total	4,232,000	2,514,775	1,717,225	3,778,950	(1,234,175)	

Source: - Appropriation Budgets of the EALA; 2023/2024 actual expenditure is estimated based on the activities being undertaken and the seven partner states in the audit commission.

Management reported that it submitted a Background Paper to the Council requesting for additional funds to cater for performance audit of the Audit Commission at the tune of USD \$661,750 and USD 1,000,000 to enhance the Financial Audit given the expansion of the SAIs. The Management is still awaiting for a decision of the Council on the proposed additional funding for the Audit Commission going forward.

### Committee Observation

The inadequacy of the appropriated budget for the commission is impacting on the independence and objectivity of the Audit Commission in the execution of its mandate as provided for in Article 134 of the Treaty established the East African Community.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management is provided with a sufficient budget to support Audit Commission activities.***

### 2.3.4.3.5 Budget Control and Performance

The Audit Commission report on Review of the statement of budget and actual amount spent revealed the overall budget under performance of expenses by eleven percent (11%) where the underperformance of individual expense items ranges from 20% to 91% as detailed below.

**Table 2.3.10: Budget Underperformance for the Year Ended 30 June 2023**

Description	Final Budget USD	Actual Amount USD	Variance USD	Under Performance %
	A	B	C=(A-B)	D=(C/A)*100
Salaries, Wages and Employee Benefits	9,511,300	7,579,710	1,931,590	20%
Finance Cost	20,460	12,525	7,935	39%
Capital Expenditure	135,000	12,753	122,247	91%
Overall Budget	20,474,360	18,232,341	2,242,019	11%

Management clarified that in the analysis, specifically on the part of emoluments, the 20% was due to delayed recruitments as staff had not yet reported for duty. Similarly, the -7% on administration, meetings budget line, was due to low provisions under the Audit Commission activities. Similarly, the 39% finance costs were reduced due to less transactions in the

operations. On the part of capital expenditure, the 91% under performance arose from liquidity challenges-due to untimely remittances and procurement challenges.

**Committee Observation**

Failure to implement planned activities denies EALA timely achievements of the objectives whereas some other activities may not be implemented due to over on other expenditure codes.

**Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management utilizes funds budgeted for the implementation of activities in line with the approved budget and planned programs, so as to avoid budget underutilization, particularly in relation to the core activities of EALA.***

**2.3.5 REVIEW OF INTERNAL CONTROLS**

**2.3.5.1 Funds borrowed from General Reserve without the Council of Ministers’ Approval**

The Audit Commission reported that during the year under review, EALA borrowed a sum of USD 3,963,858 from the General Reserve Fund. However, the review of the same revealed that, such amount was borrowed without prior approval from the Council of Ministers as the Audit Commission was not provided with evidences of written no objection from the chair of the Council for the borrowed sum, rather, it came to the Audit Commission attention that, out of the borrowed amount, USD 961,716 was retrospectively approved by the Council of Ministers in its 47th Extra Ordinary meeting held from 4 to 6 April, 2022. This is contrary to Regulation 32(3) of the EAC Financial Rules and Regulations, 2012 and Council of Ministers’ directives.

**Table 2.3.11: Funds borrowed from General Reserve without approval of the Council of Ministers**

S/N	Transaction Date	Journal No.	Description	Amount
1	23 July 2022	10036	Funds from Sec	510,284
2	26 August 2022	10088	Funds from GRSV	451,432
3	30 January 2023	10375	Funds borrowed from GRSV	895,030
4	3 March 2023	10433	Funds from GRSV	512,000
5	28 April 2023	10530	Borrowing from GRSV for April Salary	61,000
6	3 May 2023	10551	Borrowing from GSRV	1,021,440
7	28 June 2023	10615	GRSV Borrowing for June 23 Salary	512,672
	<b>TOTAL</b>			<b>3,963,858</b>

Management reported that it has continuously sought expressly for authority through Council. Management clarified that the Chairperson of the Council regularly issues no objection letters awaiting a full Council meeting as and when they are convened. Management further clarified that such meetings do not occur regularly or are postponed, hence, having retrospective approvals.

**Committee Observation**

Withdrawing funds from the General Reserve Fund without prior approval of the Council could result in misuse of the same and could deprive the use of funds into the use designated by the Council.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct the EAC Secretariat management to ensure that borrowed funds are released to the entity only after the necessary approval has been granted by the Council of Ministers.***

#### **2.3.5.2 Lack of policy for Allocating Partner States Contributions Between Organs and Institutions**

The Audit Commission reported that a total of USD 17,685,816 was budgeted for the financial year 2022/2023 to enable the EALA to implement its mandated activities. Implementation of the budget had to be funded by Partners States contributions where USD 2,514,440 was allocated to each Partner State except Democratic Republic of Congo that had to contribute USD 2,599,176. The Audit Commission noted that during the year under review, USD 4,623,443 was remitted by Republic of South Sudan in September 2022 as contributions, however, out of the received amount, only USD 755,450 equivalent to 30% of the annual contribution (USD 2,514,440) was remitted to EALA's bank account to meet their operational obligations and the remaining amount USD 3,867,993 directly applied to General Reserves. This was done despite the liquidity challenges that the Assembly was undergoing which resulted to borrowings of USD 3,963,858 from General Reserves during the months of July and August for salaries and allowances as well as outstanding payables of USD 349,195 to suppliers as at the 30 June 2023.

Management reported that the outstanding receivables in question were never remitted to EALA by the Secretariat in totality; and EALA continued to have unsettled obligations or disruption in the implementation of activities arising from liquidity challenges as at 30 June, 2023. The problem persists, hence, the need for the Council to review its earlier directives going forward.

### **Committee Observation**

Transferring the remitted contributions to General Reserves while there are liquidity challenges might lead to ineffective implementation of EALA's core activities and therefore, the intended strategic objectives may not be fully attained, and this denies EALA the opportunity to progressively grow.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to develop a clear policy for allocating Partner States' contributions between Organs and Institutions, to ensure the effective implementation of EALA's core activities and the full attainment of its intended strategic objectives.***

#### **2.3.6 REVIEW OF EALA BILLS**

##### **2.3.6.1 Delays in passing of Bills**

The Audit Commission reported that eight (8) Bills were assented to during the year. Advance copies for sixteen (16) Bills were submitted to the Summit while three (3) Council Bills were introduced in the Assembly. However, as at 30 June 2023, the Assembly had nineteen (19) Bills that were still pending in the House. This is contrary to Article 59 of the EAC Treaty which stipulates that subject to the Rules of Procedure of the Assembly, any member may

propose any motion or introduce any Bill in the Assembly. Article 62 (1) of the EAC treaty also states that, the enactment of legislation of the Community shall be affected by means of Bills passed by the Assembly and assented by Heads of State, and every Bill that has been duly passed and assented shall be styled an Act of the Community.

When the Committee interacted with the management of EALA, it reported that was associated with limited time for committees as well as challenge of resourcing the Committees. Management further clarified that it brought this matter to the attention of the Commission to identify all key legislations not completed by the 4th Assembly upon which the Assembly adopted a resolution to continue eleven (11) of them in the 5th Assembly. Management further reported that Committees to which the Bills were referred to were tasked to expedite their processing and reporting within the framework of the rules, which is a ninety-day turn-around time to complete the consideration of Bills by Committees. Management clarified that it advised the EALA Commission to hold a dedicated session with the Ministers such that they address the gaps in delays to introducing Council Bills or delays in their consideration. Management is devising ways on how the Committees can handle Bills which do not require public hearings but comments from partner states.

### **Committee Observation**

The Assembly is not likely to achieve its mandate as a legislating organ of the Community. This will also negate the objective number six of a strengthened Assembly with Members who cannot introduce Bills, Motions, Petitions and scrutinise the budget and financial statements of the Community.

### **Committee Recommendation**

**The Committee recommends to the Assembly to urge the Council to provide the required funds to enable EALA Management to fast-track the enactment of laws for the common good of the Community.**

## **2.3.7 REVIEW OF ASSETS MANAGEMENT**

### **2.3.7.1 Failure to Undertake Annual Revaluation of Assets for Insurance**

The Audit Commission reported that a total of seven (7) motor vehicles were recorded in EALA's Fixed Assets Register for the financial year 2022/23. Two (2) motor vehicles are grounded while one other motor vehicle, though working has been recommended for disposal. Review of the insurance cover documents revealed the following unsatisfactory matters: - The four (4) motor vehicles in good working condition with historical cost of USD 353,887 were insured based on the cost resulting in insurance premium cost USD 14,616 despite each having a net book value of 1 USD. The insurance cover was therefore not based on the current value of the respective motor vehicles.

**Table 2.3.12: Insured Motor vehicles**

S/N	Motor Vehicle Number	Model/Type	Sum Insured	Premium Paid	Period Covered
1.	TCD550EAC	Toyota Cruiser Station Wagon GX	42,621	1,761	18 Nov 2022 to 17 Nov 2023
2.	TCD654EAC	MOTOR VEHICLE TOYOTA LANDCRUISER S/WAGON GX	71,469	2,951.18	06 Oct 2022 to 05 Oct 2023
3.	TCD944EAC	Mercedes Benz S560	158,633	6,551.54	26 May 2023 to 25 May 2024
4.	TCD957EAC	Toyota Landcruiser JTMHV01J604258608 BLUE METALLIC	81,164	3,352	15 Nov 2022 to 14 Nov 2023

There was however no evidence of review for each insurance cover to determine its adequacy and appropriateness for the needs of the Community to confirm the compliance to Para 11.3 (c) of Financial Procedures Manual, 2013. Documents on tendering procedures and the insurance contract were also not provided for audit review.

Management took note of the observation and promised to conduct an annual assessment to determine and extend useful life of the Assets as provided for by the standard and revise the policy since the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets going forward.

#### **Committee Observation**

Validity of the insurance costs incurred could not be confirmed.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management reviews its policy to incorporate the requirement for annual pre-insurance valuation of motor vehicles before renewing the covers, with the sum assured in subsequent years based on the revaluations.***

#### **2.3.7.2 Failure to undertake Periodic Valuation of Assets**

Contrary to IPSAS 17 Paragraph 44, which requires revaluation of assets to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would determine the reporting date, the audit commission noted that although the estimated economic life for a number of assets under motor vehicles, computer equipment, telecommunication equipment, office equipment, and office fixtures and fittings categories is fully depleted, they continue to render economic value to the Assembly. As a result, the

economic benefit being derived from the continued use of the assets is not recognized in the financial records as the assets are fully depreciated. The Assembly has not undertaken professional valuation so as to incorporate the residual economic value of the fully depreciated assets in the books. This is particularly the case for vehicles registered TCD 957, TCD 944, TCD 603, TCD 654, TCD 342 and TCD 550 with a total acquisition value of USD 551 347.

Management informed that Committee that at the time of audit, there was no opportunity to revalue the assets since the Board of survey had not marked the assets. The actual disposal has not yet taken place. However, there are now marked changes in asset management.

### **Committee Observation**

Misstatement of the net worth of the Assembly in the financial statements.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management undertakes periodic professional valuation of its assets in line with the provisions of IPSAS 17.***

## **2.3.8 REVIEW OF INFORMATION SYSTEMS**

### **2.3.8.1 Review of Sun System**

#### **2.3.8.1.1 Weaknesses and Lack of system logs in opening and closure of Accounting periods in Sun System**

The Audit Commission identified a significant concern related to the management and authorization of account periods within the financial system. Specifically, the system does not maintain a log of the opening and closing of account periods during the financial year. More so, an assessment of general controls related to the accuracy in posting transactions to their respective account periods revealed significant weaknesses in adherence to the accrual accounting principles. This absence of a robust mechanism for tracking opening and closing of account periods in the system creates the risk that account periods may not be closed on time and that there may be unauthorized openings of account periods to post transactions to closed periods. Such deficiencies in internal controls raise concerns about the reliability and accuracy of financial reporting.

Management concurred with the audit finding and committed to work with the Sun Systems vendor and explore ways to set up audit trails in the system to track who and when the period is closed and opened. Management further implemented controls on opening and closure of periods for all purchase, inventory and the General Ledger modules to ensure postings are done in the currently open period. Further, end-user training will be carried out to ensure postings are done with the transaction date and accounting period.

### **Committee observations**

- i. Without a reliable record of when accounting periods are opened and closed, there is an increased risk of inaccuracies in financial statements. Revenue and expenses may be recognized in the wrong periods, which can misrepresent the financial performance and financial position of the organization.
- ii. The absence of logs and lack of approval for transactions posted to previous periods makes it challenging to ensure that only authorized individuals open or close accounting periods. This increases the risk of unauthorized personnel making adjustments or entries to closed periods, potentially leading to fraud or unintentional errors.

## **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management:***

- i. Implements a secure and auditable log of accounting period openings and closures, capturing dates and the name of the person who opens or closes the account period;***
- ii. Strengthens internal controls within the Sun System to restrict the posting of transactions to previous or future account periods without proper approval by the Director of Finance, and implements an approval workflow to ensure compliance with the EAC Financial Procedures Manual; and***
- iii. Periodically audits and reviews the accuracy of account period postings to identify and rectify any discrepancies, thereby ensuring that financial statements accurately reflect the financial position and performance of the Organization.***

### **2.3.8.1.2 Manual posting to GL of payment to suppliers and staff without LPO and invoice**

The Audit Commission reported that during the review of the Sun system, a significant issue was identified concerning payments to suppliers and staff Imprest. The standard process for these payments involves initiating them through the purchase module, which includes the creation of a Purchase Order (LPO) and matching it with an invoice. However, it was observed that certain transactions related to these payments were posted directly to the General Ledger (GL) without following the prescribed LPO and invoice process in the purchase module.

Management informed that Committee that it has already implemented the Audit recommendation and has disabled direct postings into the General Ledger.

### **Committee Observations**

- i. Payments posted without going through the proper LPO and invoice matching process can bypass the necessary approval steps, potentially leading to unapproved transactions.**
- ii. The absence of the standard approval workflow and matching process increases the risk of errors and Irregular transactions. It can also lead to discrepancies in financial records.**
- iii. The deviation from the standard process can lead to compliance issues with internal policies and potentially raise audit concerns regarding the integrity of the financial data.**

### **Committee Recommendation**

**The Committee recommends to the Assembly to urge the Council to ensure that EALA Management conducts a thorough review of the Sun System's configuration to prevent unauthorized direct postings to the GL by enforcing the prescribed LPO and invoice process, and provides comprehensive training to staff on adhering to standard procedures and controls while raising awareness of the risks associated with unauthorized postings.**

### **2.3.8.1.3 Inefficiencies and Control Weaknesses in Adjustments Processing within**

## **the Sun System**

The Audit Commission review of system controls in passing adjustments revealed that there is a lack of segregation of duties, as adjustments are initiated and posted by the same person in the system while some adjustments were posted directly without a requirement for someone to review them hence the permanently posted by field remaining blank.

Management reported that direct reversal postings were disabled allowing only system reversal posting function. Management committed to undertake training for end users by the end of third quarter 2023/24. Management further committed that the necessary controls will be implemented in line with the relevant financials as far as practicable.

## **Committee Observations**

- i. The implication of these issues is that the accuracy and integrity of the financial records are compromised. It may lead to misreported financial results, hinder effective financial management, and increase the risk of errors and fraud.
- ii. The lack of segregation of duties increases the risk of unauthorized or fraudulent adjustments going unnoticed, potentially leading to financial irregularities.

## **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management implements segregation of duties by assigning different individuals to initiate and post adjustments in the system, thereby reducing the risk of errors or fraud going undetected.***

### **2.3.8.1.4 Exchange Rate Discrepancies for Imprest Payment Transactions**

The audit commission revealed discrepancies related to exchange rates in the financial transactions within the Sun system. These discrepancies encompass the utilization of incorrect exchange rates for Imprest which do not involve negotiation, in contrast to the system's configured rate. The System allows users to enter the exchange rate during transaction posting resulting in overriding of configured exchange rates. Management clarified that at the beginning of a new month, exchange rates are generated from relevant Central Banks and the same are uploaded into General Ledger in SUN Systems. These exchange rates are uploaded with a degree of accuracy of up to four (4) decimal places. Processing of non-USD transactions in SUN Systems by default is executed up to an accuracy of nine (9) decimal places and hence to slight differences.

Management committed to explore setting the GL processing in consultation with the Service provider in such a way as to have the same level of accuracy of exchange rates with that of rate uploaded. Management also clarified that transactions involving cash transfers from reporting (USD) to transaction (say TZS) currency, are usually executed using the exchange rate(s) shared by the bank(s) in which the particular transaction occurs. At the end of the FY, management runs the YE ledger revaluation of all accounts in transactions currencies and relevant accounting entries made.

## **Committee Observation**

The use of incorrect exchange rates can lead to inaccuracies in financial records, potentially affecting the organization's financial reporting.

## **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management implements enhanced controls in the Sun System to ensure that exchange rates for imprest and bank charges strictly adhere to the system configured exchange rate, including validation and checks to prevent deviations.***

### **2.3.8.1.5 Budget entry and supplementary done by system administrator**

Contrary to Sections 2.3.16.3 and 17.3(a) of the EAC financial procedures manual 2013, the Audit Commission review of the budget ledger and supplementary procedures revealed that the initial budget is entered and posted by the Sun System administrator. Similarly, budget supplementary actions are undertaken by the Sun System administrator, rather than being managed by the designated Budget Department as specified in the financial procedures manual. The deviation from the established procedures can be attributed to a lack of alignment between the Sun System's functionality and the EAC financial procedures manual. This misalignment allows the Sun System administrator to perform tasks that should be carried out by the Budget Department.

Management acknowledged the query and committed to rectify the issue in the FY 2023/2024 by fully implementing the interface software Intelligent Open Network (ION) which interfaces between the Budget management software and Sun Systems and hence the process of posting budget related transactions will be managed by through the Budget Management system via ION into Sun Systems.

## **Committee Observations**

- i. Allowing the Sun System administrator to enter the initial budget and supplementary actions may result in a lack of accountability for these critical financial processes.
- ii. The involvement of the Sun System administrator in budget-related tasks may increase the risk of errors in budget management and reporting.

## **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EALA Management restricts budget-related tasks to authorized personnel from the Budget Department, including entering and posting the initial budget, performing reallocations, and managing supplementary budgets, while limiting Sun System administrators' access so that permissions are granted solely to designated Budget Department staff in line with the Financial Procedures Manual.***

## 2.4 EAST AFRICAN COURT OF JUSTICE (EACJ)

### 2.4.1 GOVERNANCE

#### 2.4.1.1 Failure to update timely the Strategic Plan

The Audit Commission reported the Court's most recent Strategic Plan was extended over a period of 5 years, from the financial year 2018-2019 up to the financial year 2022-2023. The Audit review noted that, since that time, the Court remains without a valid Strategic Plan and has been operating without this essential planning tool since 01 July 2023; which will undoubtedly have harmful consequences on the performance of the Court in general and on financial management in particular. The Audit Commission further reported it was not provided with any evidence relating to what is currently being done (or has been done up to date) by Management to provide the Court with a new strategic plan. When the Committee interacted with the EACJ Management, it reported that the update of the strategic plan was planned for FYs 2022/2023 and 2023/2024 but failed to take off due to low disbursements and lack of liquidity and as a result, many activities were called off in FY 2023/2024.

Management reported that late disbursement of funds resulting in low liquidity did not facilitate the EACJ to finalise this activity on time. However, a budget was approved for FY2024/25 and a consultant was engaged to assist in developing a new strategic plan. The EACJ has developed a draft strategic plan, which is now awaiting validation

#### Committee Observation

Absence of the Strategic Plan makes it difficult to implement the mandate of the Court and achieve the objectives assigned to it.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management explores all possible avenues to provide the Court, as soon as possible, with a strategic plan that clearly defines its priorities and objectives, together with the strategies and means necessary to achieve them.***

### 2.4.2 REVIEW OF ACCOUNTS RECEIVABLE

#### 2.4.2.1 Continuous failure to recover outstanding VAT refund amount

The Audit Commission reported that VAT refundable has increased from USD 369,719 (2021/2022) to USD 396,913 for the financial year 2022/2023 representing an increase of USD 27,194. However, up to the time of audit in November 2023, EACJ only recovered TZS 40,839,644 equivalent to USD 17,460 (using exchange rate at the reporting date); which led to the outstanding balance of USD 396,913 as at 30 June 2023.

**Table 2.4.1 Increasing trend of VAT refund receivable**

Financial year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Outstanding amount USD	214,503	257,668	284,786	312,343	369,719	396,913

Management informed the Committee that a substantial amount of **TZS 141,752.054.79**

(equivalent to USD 55,179.32) was received from Tanzania Revenue Authority as VAT refunds. Management clarified that the EACJ followed up with the Tanzania Revenue Authority and successfully received TZS 91,098,452.16 (equivalent to USD 37,183).

#### **Committee Observation**

As VAT refundable amount keeps on increasing without being recovered, EACJ may not be able to recover the whole amount in future.

#### **Committee Recommendation**

**The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management collaborates with the EAC Secretariat and intensifies follow-ups with the relevant authorities to recover the amount due as soon as possible.**

### **2.4.3 REVIEW OF STAFF MANAGEMENT**

#### **2.4.3.1 Absence of controls for monitoring employees at the EACJ**

The Audit Commission noted the absence of systems that enable capturing of staff attendance at the EACJ premises. EACJ Management is unable to assess reliably the staff that have been absent without authorization and therefore the payment of salary is not supported by the confirmed attendance and actual work performed by employee as required by the procedures in place. In addition, EACJ does not maintain either manual or electronic register to track movement of staff in and out of their places of work, track number of hours worked by each staff.

Management reported that the Court relies entirely on other Organs, such as the Summit, Council, and EAC Secretariat, for recruitment and employee management. Consequently, all the controls utilized by the Court were established by the EAC Secretariat. In response to the findings of the Audit Commission, the Court has collaborated with the HR and Administration Department of the EAC Secretariat. To address the issue of employee management, the HR and Administration Department plans to implement a biometric clocking system for employees to record their in and out times. As a result, the Court will adopt the same system for controlling and monitoring employees.

#### **Committee Observation**

The absence of a system to track staff attendance exposes the EACJ to the risk of paying salary to employees for days when they were absent and therefore incurring wasteful expenditure. This may also affect the eligibility of overtime payment.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct EACJ Management to strictly ensure the establishment of a system for capturing employees' attendance, so that salaries paid are supported by the actual hours worked and accurately reflected in the respective monthly payroll.***

#### **2.4.3.12 Unjustified transfer of funds to EAC Secretariat gratuity bank account**

The Audit Commission report revealed that an amount of USD 25,000 representing gratuity for EACJ staff and Judges was transferred to EAC Secretariat gratuity bank account in July 2022. The Audit Commission noted that the amount transferred included an amount of USD 1,000 paid to a Judge who had retired in June 2022. EACJ Management addressed a debit note, on 30 June 2023, to EAC Secretariat claiming the amount transferred. However, by the time of audit in November 2023, there was no evidence that this amount had been

refunded.

The EACJ management clarified that it liaised with EAC secretariat and the inter organ transaction was passed into Current account to correct that mistake.

### **Committee Observation**

Transfer payment of monthly gratuity contribution for a Judge whose contract had ended may indicate weak controls over payroll and may lead to budget shortage; which may hamper EACJ activities implementation.

### **Committee Recommendation**

**The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management urgently liaises with the EAC Secretariat to secure the refund of USD 1,000 wrongly transferred, as soon as possible.**

## **2.4.4 REVIEW OF ASSETS MANAGEMENT**

### **2.4.4.1 Fully Depreciated Assets Still in Use**

Contrary to Paragraph 67 of IPSAS 17 on Property, Plant and Equipment, and paragraph 8.1.4.3 (d) of the EAC Financial Procedure Manual, 2013; Audit Commission report revealed that fully depreciated assets with an initial cost of USD 337,994 are still in use (active) and maintained in the EACJ Fixed Assets register. The Commission further noted that no action was taken by Management to determine whether to reassess the useful life of the assets was to be undertaken in order to maintain value of assets close to its usefulness.

Management clarified that it liaised with EAC secretariat through board of survey to contract a valuer to ascertain fair value. The Court worked together with the EAC Board of Survey to verify all fully depreciated assets. As a result, all obsolete assets were proposed for disposal. Additionally, a valuation of the assets was conducted, and their values are detailed in the accompanying valuation report.

### **Committee Observations**

- i. Fully depreciated assets but still in use do not reflect how their economic benefits and service potential are accounted for in running the operations of the EACJ.
- ii. Users of the financial statements may not understand the status of assets since there is no disclosure for fully depreciated asset in form of note to the financial statements.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management annually reassesses the useful lives of PPE before assets reach zero value, identifying those likely to be fully depreciated while still offering service potential, and discloses in the financial statements, by way of notes, the gross carrying amount of fully depreciated assets still in use to provide users with a clearer understanding of their status.***

## **2.4.5 REVIEW OF EXPENDITURE MANAGEMENT**

### **2.4.5.1 Non-compliance with EAC Financial Rules and Regulations, regarding the retirement of imprests**

Contrary to Regulation 40 of the EAC Financial Rules and Regulations 2012, the Audit Commission reported that payment vouchers supporting EACJ expenditures incurred during

the year under review revealed cases where staff imprests were not retired within the time lines set. The delay ranged between 7 and 253 days as shown in the Table below.

**Table 2.4.2: Delay in retirement of imprests**

Transaction Date	Payment Reference	Imprest amount (USD)	Responsible Staff (Beneficiary) PF No	Return date	Retirement date	Number of days late (up to 17 November 2023)	Observation
30/6/2023	100226	1,000.00	8086	08/7/2023	20/7/2023	7	As per the available retirement file
30/6/2023	100220	1,350.00	8080	17/6/2023	-	148	Retirement file not available at the time of audit
17/03/2023	100139	2,250.00	8078	23/3/2023	-	234	Retirement file not available at the time of audit
17/3/2023	100140	2,250.00	8074	23/3/2023	-	234	Retirement file not available at the time of audit
17/3/2023	100141	2,250.00	8077	23/3/2023	-	234	Retirement file not available at the time of audit
01/3/2023	100120	1,000.00	8059	04/3/2023	-	253	Retirement file not available at the time of audit
Total		10,100.00					

Management reported that it took action and made sure that all imprest were retired on time.

**Committee Observation**

Failure to comply with the regulations regarding the retirement of imprest calls into question the control system put in place and may lead to loss of funds by the Court.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management strictly enforces regulations on the retirement of imprest by recovering in full any imprest not retired on time from salary, wages, or other payments due from the responsible officer within the current month, with a surcharge of 10% per month on the outstanding amount, and by refraining from issuing another imprest to any officer before the previous one is fully accounted for.***

### 2.4.5.2 Partially supported payments of air tickets

Contrary to Paragraph 4.3.2 (a) and (e) of the EAC Financial Procedures Manual, the Audit Commission noted cases amounting to USD 4,301 where payments were made, yet copies of air tickets were not attached to paid invoices. The Commission further noted that, sometimes, even the paid invoices were missing among the payment voucher attachments. Details in the table below.

**Table 2.4.3: Partially supported payment of Air Tickets**

Payment reference	Payment date	Invoice amount (USD)	Invoice reference number	Air ticket reference number	Observation
<b>100080</b>	03 February 2023	229.00	INV221119614	7061097033538	Copy of the air ticket not attached to the invoice
		334.00	INV221119647	1091097043802	Copy of the air ticket not attached to the invoice
		450.00	INV221119795	1971097045810	Copy of the air ticket not attached to the invoice
		631.00	INV221120071	1971097050436 and 7061097050437	Air ticket No 7061097080437 not attached
		1,091.00	INV221119620		The information available showed that the ticket was cancelled. However, there is no evidence of refund of the amount of USD 1,091.00 which was already paid
<b>100302</b>	12 October	306.80	INV230120884	20/01/2023	Copy of the air ticket not

	2023				attached to the invoice
<b>100301</b>	12 October 2023	1,030.00	INV221056336	5862242665	Copy of the ticket not attached to the invoice
Total		4,300.80			

The management informed the Committee that it took action and made sure that all payment for air tickets were attached.

### Committee Observation

Partially supported payments may be an indicator of weak controls over expenses, which can lead to undue payments and hence, to loss of funds by the Court.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management reinforces its internal control mechanisms to guarantee the availability of all supporting documents confirming that goods or services have been received in accordance with the contractual obligations before certifying related invoices and authorizing their payment.***

#### 2.4.5.3 Failure to stamp PAID invoices already paid

Contrary to Regulation 41 (6)(a) of the EAC Financial Rules and Regulations, 2012, the Audit Commission noted cases amounting to USD 51,955 where the invoices were not stamped "PAID" while the payment had already taken place.

Management reported that it took action and made sure that all payment vouchers are stamped "PAID".

### Committee Observations

- i. Failure to stamp "PAID" payment vouchers when payments are done may lead to double payment and hence, to loss of funds by the Community;
- ii. This may be an indicator of weak controls over expenses.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management complies with existing regulations by stamping payment vouchers and attached invoices "PAID" immediately after payment, to prevent any risk of double payment.***

#### 2.4.5.4 Uncertified paid invoices

The Audit Commission noted invoices that were paid, yet they had not been certified by the relevant authority contrary to Paragraph 4.3.2 (a) and (e) of the EAC Financial Procedures Manual. The Details are as indicated in the Table below:

**Table 2.4.4: Uncertified invoices paid**

Payment reference	Payment date	Invoice reference number	Invoice date	Invoice amount (USD)	Supplier
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<b>100084</b>	05 February 2023	04890	10/01/2023	750.00	SERENA CAR HIRE AND TOURS LTD
		04892	10/01/2023	1,000.00	SERENA CAR HIRE AND TOURS LTD
Total				1,750.00	

Management reported that it took action and made sure that all invoices are certified before processing payments.

#### **Committee Observation**

This may be an indicator that the EACJ control mechanisms over expenses are weak; which may lead to fictitious payments and hence, to loss of funds.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management reinforces its internal control mechanisms to guarantee that all invoices are certified before payment, thereby preventing any risk of fictitious payments.***

### **2.4.6 REVIEW OF PAYABLES**

#### **2.4.6.1 Long outstanding creditor's balance**

The Audit Commission noted that the EACJ statement of financial position as at 30 June 2023, is Payables USD 1,199,745. The related note to the financial statements reflects, among others, an amount of USD 391,951 representing EACJ Creditors/Service Providers total outstanding balance as at the end of the year under review. The Audit Commission further noted that these Creditors/Service Providers included a Service Provider, namely Hughes Motors (Tanzania) Ltd, for a total amount of TShs 4,125,838, equivalent to USD 1,853 that has been pending in the EACJ books of accounts since 2017. However, review of the supporting documents revealed that, as indicated on the corresponding payment voucher, this Service Provider was paid on 28 April 2017, by Cheque number 001567.

Management reported that it cleared all outstanding creditors at the end of FY 2022/23.

#### **Committee observation**

Maintaining a payable that has been set may be an indicator of weak internal controls over expenses and payments processes. This may lead to double payments and hence, to loss of funds by the Court.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management takes the necessary measures to address the issue of long-outstanding creditors' balances.***

### **2.4.7 PENDING CASES**

The Audit Commission reported that when it reviewed the pending cases with the East African Court of Justice as at 25<sup>th</sup> November, 2023, it noted the following: There were many cases that had been pending for many years (one case up to 12 years). This was mainly due to lack of a sufficient number of permanent judges to handle the cases. It is worth noting that only two (2) out of twelve (12) Judges of the Court are permanent. The remaining ten (10) Judges

are working on ad hoc basis and deal with cases on a session basis. Due to this fact, the Court is in session for less than half of the year and, if this pace of work doesn't change, the number of pending cases may continue to accumulate further every year.

**Table 2.4.5: Pending cases as at 25<sup>th</sup> November 2023**

PENDING CASES		< 1 YR	≥ 1 YR	≥ 2 YRS	≥ 3 YRS	≥ 4 YRS	≥ 5 YRS	≥ 6 YRS	≥ 7 YRS	TOTAL
COURT	Yr	2022	2021	2020	2019	2018	2017	2016	2015	
1 <sup>st</sup> Division		50	36	0	0	0	0	0	0	86
Appellate Division		48	14	4	5	10	5	5	19	110

When the Committee interacted with EACJ Management, it reported that: (i) The EACJ is currently through its Rules Committee considering amending the rules of procedure to allow for a single Judge at station handle the most urgent matters; (ii) The EACJ following a directive of the 39<sup>th</sup> Meeting of the Council (**EAC/CM 39/Decision 91**) submitted the proposal for permanency of the services of Judges of the EACJ to Partner States for their comments.

### Committee Observations

- i. Operation of Judges on a session basis leads to slow process and lengthy cycle of delivery of justice;
- ii. Long delay in delivery of cases leads to delay in dispensing of justice, thus undermining the reputation of the EACJ which may lead to eroding public confidence in the Court.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management:***

- i. Puts in place the necessary strategies to expedite the hearing of long-pending cases and deliver judgments within a reasonable time; and***
- ii. Assesses the performance of the court by undertaking a cost-benefit analysis and, in line with the recruitment policy, explores the alternative option of appointing full-time Judges.***

## 2.4.8 IT ISSUES

### 2.4.8.1 Case Management and Registration System (CMRS)

#### 2.4.8.1.1 Lack of support and maintenance contract and use of an unsupported version

The Audit Commission reported that the Case Management and Registration System (CMRS) support and maintenance contract between EACJ and Clio Systems Ltd was valued at USD 70,000 for a period of one year between 01 July 2016 and 30 June 2017. This contract has not been renewed since. Thus, in the event of a major technical failure of the system, the EACJ will not be able to resolve the issues in a timely and cost-effective manner. Additionally, the system vendor no longer provides updates or support for the version currently used by the EACJ. Due to limited support for Javs Recorder 7, the manufacturer and vendors have advised an upgrade of the existing technology to the latest version of Javs Suite 8 solutions; which is only possible if the contract is renewed.

The EACJ Management took note of the audit observations and clarified as follows: The Court's Case Management and recording System is obsolete and because of the absence of the corresponding software, the Contract between EACJ and Clio Systems Ltd cannot be renewed;

The Court therefore submitted a request to the Council of Ministers for additional budget for the acquisition of a new Case Management and Recording System for one division of the Court which will be followed by another request for the other division in the next FY. The aforementioned request was granted and the Court is currently looking for a supplier of the same.

#### **Committee Observation**

Absence of a digitized archive.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management upgrades the CMRS to the latest version and secures a support and maintenance contract to guarantee digitalized and reliable judicial filing.***

#### **2.4.8.1.2 The electronic filing module is not accessible online by litigants**

The Audit Commission reported that the online functionality of the electronic filing module in EACJ is still not operational. One of the goals of CMRS software was supposed to transform the litigation process by providing digital services for filing, saving documents and requesting court orders through the e-filing module. Management reported that it has not been possible because of the obsolete nature of the Court Management and Recording System. Management further clarified that the Council of Ministers has approved some funds for the acquisition of a new system which will allow for the utilisation of the electronic filing module by litigants of the Court.

#### **Committee Observation**

Litigants must physically travel to the court registry or send documents by mail, which leads to the slowness of the judicial and administrative procedure.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management implements an electronic filing module to enable litigants to submit their cases online, thereby enhancing convenience and saving time.***

#### **2.4.8.2 Review of Sun System**

##### **2.4.8.2.1 Lack of segregation of duties in financial transactions within the Sun System**

The Audit Commission review of Sun system controls revealed a significant deviation from the requirements outlined in Section 17.3 of the EAC Financial Procedures Manual for 2013. This deviation relates to budget upload, budget reallocation and supplement, processing LPOs and posting transactions to the general ledger, where creation and posting is done by a single staff member. The Audit Commission further observed that the system is not configured to impose distinct roles on staff for entering and posting data to the system. Budget reallocation and supplementary approvals and LPOs take place outside the system, with a single person responsible for creating and posting them to the system. Management took note of the observation and promised to resolve the issue once the rationalised organogram is approved and implemented.

#### **Committee Observations**

- i. The lack of a dual approval process within the system increases the risk of errors and fraud, as only one staff member has the authority to create and record budget reallocations and LPOs without independent verification.
- ii. The system's inability to enforce segregation of duties undermines internal control mechanisms and makes it difficult to ensure the integrity of financial data and compliance with procedures.
- iii. Without a clear segregation of duties, it can be difficult to trace and investigate deviations or unauthorized actions, due to the lack of independent oversight.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management improves the functionality of the Sun System to enforce segregation of duties between the creation and publication of budget reallocations, LPOs, GL transactions, and budget uploads.***

#### **2.4.8.2.2 Inconsistent application of exchange rates**

The Audit Commission report revealed discrepancies related to exchange rates in financial transactions within the Sun system. These discrepancies include the use of incorrect exchange rates for advances and bank charges, which do not involve negotiation, unlike the rate configured by the system. Additionally, there are cases of transactions related to payments to suppliers with varying exchange rates for the same transaction date. Although exchange rates may be negotiated when the EAC makes supplier payments, it is not anticipated that disbursements of staff advances and bank charges will use exchange rates different from that of the central bank, depending on the system configuration. Additionally, for vendor payment transactions, it is reasonable for the exchange rate to differ from the configured rate due to negotiation of a better rate. However, exchange rates are not expected to be inconsistent on the same transaction date. Management clarified that at every beginning of a new month, exchange rates are generated from relevant Central Banks and the same are uploaded in to General Ledger in SUN Systems. These exchange rates are up-loaded with a degree of accuracy of up to four (4) decimal place. Processing of non-USD transactions in SUN Systems by default is executed up to an accuracy of nine (9) decimal places and hence to slight differences.

Management promised to consult the Service provider and explore setting the GL processing in such a way as to have the same level of accuracy of exchange rates with that of rate uploaded. Management further clarified that transactions involving cash transfers from reporting (USD) to transaction (say TZS) currency, are usually executed using the exchange rate(s) shared by the bank(s) in which the particular transaction occurs. At the end of the FY, management runs the YE ledger revaluation of all accounts in transactions currencies and relevant accounting entries made.

### **Committee Observation**

Using incorrect exchange rates can result in inaccuracies in financial documents, potentially affecting the organization's financial reporting.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACJ Management enforces the use of exchange rates for advances and bank charges strictly in line with the rates configured in the system, and guarantees***

*consistency of exchange rates for supplier payments made on the same transaction date.*

### CHAPTER THREE

## 3.0 KEY AUDIT FINDINGS ON THE FINANCIAL STATEMENTS OF THE EAC INSTITUTIONS, PROJECTS AND PROGRAMMES

### 3.1 LAKE VICTORIA FISHERIES ORGANISATION (LVFO)

#### 3.1.1 REVIEW OF BUDGET MANAGEMENT

##### 3.1.1.1 Under Remittance of Contributions by Partner States

The Audit Commission reported that partner states contribution had an outstanding amount of USD 500,972.65 at the beginning of the year. Further Analysis of the receipts for contributions from partner states shows that during the year under review, out of an approved contribution budget by partner states of USD 1,862,000.00; payment from Partner States totaled USD 1,615,274.72 equivalent to 86% resulting to an outstanding cumulative amount of USD 747,697.93 as indicated in the Table below:

**Table 3.1.1: Analysis of Contributions from Partner States**

No	Member state	Contribution outstanding at end of FY 2021 /2022	Contributions due in the FY 2022/2023	Total contributions due for 2022/23	Payments received during the FY 2022/2023	Balance outstanding as at June 2023
1	Republic of Kenya	41.55	465,500.00	465,531.00	464,957.02	573.98
2	United Republic of Tanzania	31.00	465,500.00	465,541.55	465,494.00	47.55
3	Republic of Uganda	0.00	465,500.00	465,500.00	460,394.40	5,105.60
4	Republic of Burundi	500,900.10	465,500.00	966,400.10	224,429.30	741,970.80
	<b>Total</b>	<b>500,972.65</b>	<b>1,862,000.00</b>	<b>2,362,972.65</b>	<b>1,615,274.72</b>	<b>747,697.93</b>

Management reported that it endeavoured to routinely follow up on non-remittance of contributions from Partner States through telephone calls, in person and letters. Management further reported that contributions from Partner States stand at 55% with at least 100% remittances from two Partner States (Republic of Kenya and United Republic of Tanzania).

#### Committee Observation

Without fully remitting contributions due, execution of planned activities is compromised.

#### Committee Recommendation

*The Committee recommends to the Assembly to urge the Council to ensure that LVFO management continues engaging the Secretariat to secure the required contributions from partner states.*

### 3.1.1.2 Utilization of Funds Beyond Approved Budget

The Audit Commission reported that contrary to Regulation 10 (2) of the LVFO Financial Rules and Regulations (2018) which states that the financial resources of the Organisation shall be utilised in accordance with appropriations made in the budget of the Organisation, LVFO management utilized funds allocated for five specific budget lines without adhering to the appropriations outlined in the organization's budget. This led to the utilization of funds surpassing the approved budget, as depicted in the Table below.

**Table 3.1.2: Funds utilized beyond Approved budget.**

Budget Line Expenses	Original Budget (A)	Supplementary Budget (B)	Final Budget (C)	Actual Amount Spent	Amount Overspent	%
Office of the Executive Secretary	92,897.00	17,100.00	109,997.00	128,469.16	(18,472.16)	117%
Facilitation of the Executives Directorates	6,000.00	0.00	6,000.00	9,251.45	(3,251.45)	154%
PCU Operating Costs	3,000.00	0.00	3,000.00	3,175.99	(175.99)	106%
Domestic/Regional travel	46,000.00	0.00	46,000.00	56,752.34	(10,752.34)	123%
Operational Bank Charges	4,000.00	0.00	4,000.00	5,101.87	(1,101.87)	128%
Procurement Costs	8,480.00	0.00	8,480.00	11,502.73	(3,022.73)	136%
<b>Total</b>	<b>160,377.00</b>	<b>17,100.00</b>	<b>177,477.00</b>	<b>214,253.54</b>	<b>-36,253.54</b>	<b>21%</b>

Management informed the Committee that the adverse result on the identified budget lines was mainly due to the gross under budgeting against the same, coupled with unexpected increase in the related activities. Management endeavoured to restrict budgetary controls and adhere to compliance during the period; currently, scenarios of over utilisation beyond approved lines have been restricted.

#### Committee Observations

- i. The practice violates the established financial regulations leading to non-compliance.
- ii. Exceeding approved budgets impacts financial transparency and accountability.
- iii. Inaccurate financial reporting may lead to misinterpretation and wrong decisions taken

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management conducts a comprehensive review to understand the reasons behind deviations from the approved budget, implements stringent controls to ensure future fund utilization strictly aligns with approved budget allocations, and develops and reinforces internal policies emphasizing adherence to budgetary appropriations to uphold financial discipline and compliance with regulations.***

### 3.1.1.3 Unutilized Funds (USD 2,077,275)

The Audit Commission reported that a sum of USD 2,331,424 as a deferred amount from various institutions and development donors. This sum was designated to finance specific activities outlined in the plan for the financial year ending on 30 June, 2023. The Audit Commission further noted that some of the financed activities were not executed within this period. The Audit Commission noted that out of the total sum of USD 2,331,423.68, USD 2,077,275 originated from IFAD and Operation Save Nile Perch. These entities implemented planned activities, achieving progress at rates of 12% and 2%, respectively.

**Table 3.1.3: Unutilized Funds**

S/N	Donor	Budget Amount	Bal. B/F	Amount Contributed	Current Year	Balance	% of Amount Available
1	IFAD	0	488 919,70	0	59 004,52	429 915,18	12
2	OSNP	0	1 675 011,39	0	27 007,75	1,648, 003,64	2
	Total	0	2,163,931.09	0	86,011.93	2,077,918.82	

Management reported that delays in implementation of IFAD funded project was due to delays in recruitment pending Sectoral Council advice. The Sectoral Council has since directed Management to proceed (**LVFO/FASCOM 4/Directive 38**) and the recruitment process was ongoing and implementation was been fast tracked. The 5th FASCoM deferred recommendation on implementation of OSNP to the next Session as consultations continue (**LVFO/FASCoM 5/Decision 13**). Recruitment for the IFAD funded project was concluded and the utilization of funds is as per the work plan with replenishments to the account realised during the period.

**Committee Observation**

The delayed utilization of funds from Development Partners poses a risk to LVFO's ability to achieve its goals and objectives.

**Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that LVFO management prioritizes and expedites the utilization of funds provided by development partners, as timely usage will prevent possible cancellations and safeguard the implementation of planned activities.*

**3.1.2 IRREGULARITIES ON IMPLEMENTATION OF LVFO STRATEGIC PLAN**

The Audit Commission reported LVFO has a five year strategic plan running from 2021/22 to 2025/26 and to achieve three strategic objectives costed at USD 28,882,007, implying an average annual expenditure of **USD 5,776,401.40**. However, the Audit Commission noted that the LVFO approved annual budget for the years ended 30 June 2021/22 and 2022/23 (which is the first and second year of the strategic plan) as shown in the table below.

**Table 3.1.4: Budget amount below strategic plan average annual budget**

F/Y	Budget as Per Strategic Plan USD (A)	Approved Budget as Per Financial Year USD (B)	Difference USD (C)	% Of USD (A)
2021/22	4,730,800	4,526,279.37	204,520.63	4

<b>2022/23</b>	5,203,880	3,991,931.12	1,211,948.88	23
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The Audit Commission further noted that out of the approved budget the amount, a significant amount was not received as shown in the table below.

**Table 3.1.5: Amounts spend for two years**

<b>F/Y</b>	<b>Approved Budget USD (A)</b>	<b>Actual Amount Received USD (B)</b>	<b>Amount Spent USD (C)</b>	<b>% Of USD (A)</b>
<b>2021/22</b>	4,526,279.37	2,785,517.53	2,724,280.17	60
<b>2022/23</b>	3,991,931.12	2,774,524.82	2,594,749.77	64

Additionally, the Audit Commission observed that according to page 34 of the strategic plan, there is an outlined provision for biennial reviews of the plan over a five-year period. However, the Audit Commission was not provided with a report for such a review. Moreover, the LVFO lacks an M&E unit to conduct annual monitoring, hindering the production of such a report.

LVFO Management reported that it has always submitted a realistic budgets as per the Strategic Plan, but the EAC Finance and Administration has restricted it to zero increment. Management further reported that the LVFO strategic plan includes some activities agreed regionally but funded and implemented at National levels and implementation is on Course. Monitoring and Evaluation is conducted under the Office of the DES who routinely conducts M & E of LVFO Programmes and projects through which the strategic plan is implemented. Management further reported that efforts were underway to mobilise resources from the Development Partners to have the plan effectively implemented. The LVFO Secretariat conducted a preliminary evaluation on the strategic plan and planned for the final review and formulation of the next LVFO strategic plan to take place in 2025/26. Going forward, negotiations are on within the EAC institutional reforms to have the position of M&E Officer introduced in the structure.

### **Committee Observations**

- i. Inadequate funding for the strategic plan's implementation results in unfulfilled planned activities, impeding the achievement of strategic objectives.
- ii. The absence of monitoring and evaluation impedes management's awareness of challenges and setbacks in the strategic plan's implementation.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management devises mechanisms to track and account for the implementation of the strategic plan, and engages the Secretariat to secure timely contributions from budget contributors as an essential part of this process.***

### **3.1.3 STAFF EMOLUMENT AND HUMAN RESOURCE**

#### **3.3.3.1 Irregularities on Employment of Staff on Contract Basis**

The Audit Commission observed that a review of ten out of 28 randomly selected personnel files revealed that LVFO management had continuously provided a short-term contract to an employee, identified by staff file number 001, serving as an assistant procurement officer since 2 September, 2019 up to the time of the audit contrary to Regulation 22 (1) (c); 22 (2) (c) and 102 of LVFO.

Management reported that The temporary APO position was advertised and filled in 2019 as

a stop gap to allow for the budgeting for a substantive staff member, following a directive of the 9th Regular Session of the LVFO Council of Ministers of 2017, to recruit a 'Procurement Expert' to address the numerous procurement audit issues LVFO Secretariat was receiving as a result of the organisation lacking capacity in that critical function. The Council reiterated this directive again in its 1st Regular session of FASCoM, 2018. Since then, there were various unsuccessful attempts to recruit established staff for this and other positions at LVFO. However, following a further directive of the 5th FASCoM, an ongoing recruitment process was underway to fill this and other established staff positions. Management took note and was prioritizing filling this now established critical position, while avoiding creating a gap in the meantime. Management further clarified that at its 7<sup>th</sup> sitting, FASCOM directed the LVFO to fast-track the recruitment of some critical identified positions, including the Procurement Officer; the process of filling the mentioned position amongst others was ongoing.

### **Committee Observation**

Maintaining an employee in a temporary role for an extended duration can lead to a sense of uncertainty and potential underperformance within the institution.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management strictly adheres to the Staff Rules and Regulations governing staff appointments, thereby promoting fairness in hiring practices, fostering a more structured and effective workforce, and supporting employee stability and performance while aligning with established regulations.***

### **3.1.4 ACCOUNTS RECEIVABLE**

#### **3.1.4.1 Slow Recovery of Value Added Tax (VAT) and Withholding Tax Receivable**

The Audit Commission reported an increase in the VAT Receivable balance from USD 116,104.71 to USD 133,207.79, alongside a consistent Withholding Tax standing at USD 19,250.02 from 2021/22 to 2022/23. However, management's inability to furnish an aging analysis for the year ending 30 June, 2023, as mandated by the Financial Procedure Manual 2013, raised concerns.

Management reported that it has severally reached out to the local tax body (URA) and the Institution has received recoveries during the FY to the tune of USD 24,321.28; with regards to the tax from the regional tax bodies, Management escalated the matter to the EAC Council for further intervention and was optimistic that the issue will be resolved. Management further clarified that it routinely endeavoured to file the returns as required by the local tax body in a timely manner; however, LVFO does not have any control on the VAT related to supplies from other EAC Partner States and this component has contributed to the increased amount.

### **Committee Observation**

The prolonged retention of the VAT balance increases the risk of it becoming irrecoverable over time.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management actively engages with the Revenue Authorities in the respective Partner States to expedite recovery of outstanding Value Added Tax.***

### 3.1.4.2 Imprest Receivable as at 30 June, 2023

The Audit Commission reported staff imprest totaling USD 65,700 and an advance DSA of USD 755 that remained unaccounted for until the end of the 2022/23 financial year. The Audit Commission further, noted that there was a difference between amounts reflected in the financial statements and those reflected in the GL. The difference was not explained by management.

Management reported that the outstanding imprest advances were inadvertently not retired in a timely manner during the period under review and were concluded in the first period of the proceeding FY23-24. Management clarified that it adhered to the imprest retirement policy and to date, there is no outstanding imprest to staff.

#### Committee Observation

Delays in accounting for imprest could lead to loss of funds.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management complies with Regulation 40 regarding staff imprest and retirements by ensuring all imprest are timely retired by the responsible staff, and that any non-timely retired imprest is recovered from the concerned staff's salary, wages, or other payments with a surcharge of 10% per month.***

### 3.1.4.3 Other Receivables

The Audit Commission observed an amount of USD 2,890 reported as other receivables. Additionally, the audit revealed that Colline Hotel is listed as a creditor, owing USD 233.10. This raises concerns about the accuracy of LVFO's accounting processes. Management reported that the amount was paid to the supplier erroneously and has not been refunded for two years now.

**Table 3.1.6: Other Receivables**

	<b>Account Code</b>	<b>Particulars</b>	<b>2022/2023</b>	<b>2021/2022</b>
	71101C004	Colline Hotel	2,714.32	2,714.32
	0	Account Opening in Mwanza	175.53	175.53
		<b>Total</b>	<b>2,889.85</b>	<b>2,889.85</b>

Management reported that the receivables figures under the creditors were attributed to the fact that the LVFO held a workshop at Ridar Hotel Mukono of which settlement for the fees was erroneously wired to Colline Hotel Mukono's account. Management considered the service provider's proposal to hold more meetings at the hotel to be able to recover the outstanding amount; some planned activities in the 3<sup>rd</sup> quarter were scheduled and held in this venue and the related costs recovered against the outstanding receivable of USD2,714.32. The amount was fully recovered against an invoice dated 22<sup>nd</sup> July 2025 of USD7,830.48 (**Annex V**). The outstanding receivable of USD175.53 has since been accounted for.

#### Committee Observation

There is a possibility of losing organisation money if the payment is made without critical examination and cross checking the supporting documents for authentication.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management critically examines all bills and invoices before approving and making payments.***

### **3.1.5 ACCOUNTS PAYABLE MANAGEMENT**

#### **3.1.5.1 Delay in Payment of Creditors**

The Audit Commission reported that a review of the creditors' aging analysis as of June 30, 2023, revealed that LVFO has eight creditors with a total outstanding amount of USD 5,682 which had exceeded 360 days, contrary to the stipulations in the Financial Procedure Manual 2013 as shown in the table below.

**Table 3.1.7: Delay in Payment of Creditors**

Code	Particulars	Total (US\$)	
		2022/2023	2021/2022
711010002	Onapito Bright	450.00	450.00
71101C018	Cold Springs Hotel	337.99	337.99
71101G013	Golden Tulip Dar es Salaam	359.54	359.54
71101K019	Kabira Country Club Limited	185.19	185.19
71101M011	Molex Enterprise	154.37	154.37
71101N018	National Insurance Corporation - Tanzania	322.21	322.21
71101P021	Pinnacle Concepts Ltd	1,159.56	1,159.56
71101R001	Ridar Hotel, Seeta Mukono	2713.26	2,713.26
	<b>Total</b>	<b>5682.12</b>	<b>5682.12</b>

When the Committee interacted with the LVFO Management, it reported that the outstanding funds refer to VAT components for the respective service providers of which Management regretted the delay in settlement of the same and committed that such instances will be avoided in future. The outstanding creditors were settled in the first quarter of the proceeding FY 2023/2024 (**Annex III**).

#### **Committee Observation**

The delay in settling these outstanding creditor amounts may potentially result in legal actions and could harm the reputation and credibility of LVFO.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management promptly settles outstanding obligations as they become due, thereby preventing potential legal issues and safeguarding the organization's reputation and trustworthiness.***

### **3.1.6 EXPENDITURE MANAGEMENT**

#### **3.1.6.1 Control weakness**

The Audit Commission noted that LVFO's payment vouchers are characterised by incomplete account code numbers; inconsistencies in the figures in payment vouchers and supporting schedules especially for DSA payments; filing of payment vouchers with no sequence, either serially generated payment voucher number or any system that is consistent and reliable. The Commission further noted that some payment vouchers are posted via Cheque number, others invoice number among other myriads of posting reference that may come along.

Management regretted the failure to complete the identified PVs with the required Account Codes. Management clarified that the figures in the PVs are usually advances of which related full accountabilities are attached upon retirements. Such include signed sheets representing DSAs paid out to the intended beneficiaries and/or receipts for the re-banked unutilised funds. The PVs under Partner States funding are filed according to the serial cheque no. while the ones under Development Partners are filed following to the PV serial no. Management reported that all the concerns were addressed.

#### **Committee observation**

In absence of properly filled payment vouchers and supporting documents the authenticity of the payment is in question

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management properly fills and consistently numbers all payment vouchers so they can be easily retrieved when needed.***

#### **3.1.6.2 Misallocation amounting to USD 184,372**

The Audit Commission reported that a scrutiny of the general ledger revealed failure by the LVFO management to adhere to expense classification as per various chart of account and account codes. This has resulted to a misclassification to an aggregated figure of USD 184,372. When the Committee interacted with management, it reported that capturing the account codes in the BMS under the Development Partners during the Budgeting process is limited to the major input activities which approach has disadvantaged other approved inputs under the same subject activity.

Management regretted the anomaly and committed to put procedures in place to avoid recurrence of the oversight. Management reported that during the Budgeting process, capturing the account codes in the BMS under the Development Partners was limited to the major input activities which approach disadvantaged other approved inputs under the same subject activity. Management clarified that the codes in the BMS and the Chart of Accounts were harmonized and the matter was addressed.

#### **Committee Observation**

Due to inadequate budgetary planning and processes there maybe misclassification of expenses. The financial statements may be misleading to the user.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management adheres to the set chart of accounts codes, and where a line-item budget is exhausted, seeks reallocation through the laid-down procedures.***

#### **3.1.6.2 Doubtful Expenditure amounting to USD 85,940.**

The Audit Commission observed that scrutiny of various expenditure items for the year under review revealed payments of USD 85,940 that are not adequately supported thereby casting doubt on the occurrence of such transactions.

Management reported that Consultancy fee for support to community management structures

was part of implementation of the FAO TCP on community management project and the purpose of this assignment was to support the LVFO in implementing associating activities geared at collaboratively developing a project proposal for socially, economically and environmentally sustainable fisheries community management regimes for Lake Victoria basin and the budget was captured as supplementary budget. Management clarified that the Consultant was recommended by FAO to locally work with other Technical Experts from the University of Iceland. The purpose of this assignment was to support the LVFO in implementing associating activities geared at collaboratively developing a project proposal for socially, economically and environmentally sustainable fisheries community management regimes for Lake Victoria basin .Management further clarified that the required accountabilities and the support documentation were submitted for the identified outstanding imprest and the matter has since been addressed.

#### **Committee observation**

Lack of supporting documents could lead to misuse of resources through unaccounted for expenditures.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management adheres to the set chart of accounts codes, and where a line-item budget is exhausted, seeks reallocation through the laid-down procedures.***

### **3.1.7 ASSET MANAGEMENT**

#### **3.1.7.1 Incomplete Asset Register and Lack of linkage between system-recorded assets and physical assets**

The Audit Commission reported that there is no linkage in identification of system-recorded assets and physical verified assets. Further, the management of LVFO has not updated the Assets Register. There were missing key fields such as asset code and the asset serial numbers which have not been updated in the asset register. This makes it difficult for physical verification exercise to be executed.

When the Committee interacted with LVFO Management, it reported that whereas the Fixed Assets Register contains the system asset code per class, responsible office and date of purchase, the Board of Survey physical report reflects only the bar code, responsible office and condition of the asset. Management further clarified that it was aware of the gaps between the two (2) reports and tasked the Consultant to harmonise the two in the system. Management reported that the current Fixed Assets Register reflects a Unique Asset code, Asset description, Asset class, Acquisition date, depreciation rate, condition, among others as required under IPSAS. The data in the register was linked to the assets records in the sun system which can be trailed to the physical location of the asset. The matter has since been addressed.

#### **Committee Observation**

The management may not be in control of the asset resources due to lack of proper, updated and verifiable asset register.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that***

***LVFO management maintains an asset management system that is verifiable and linkable to the physical presence and location of the assets.***

### **3.1.8 INFORMATION SYSTEM AUDIT**

#### **3.1.8.1 Inadequate budget controls to prevent expenditure above budgeted amount**

The Audit Commission reported that an analysis of uploaded budget versus actual executed budget in the SunSystem for the period under review revealed overspending on some account codes, where USD 24,384 was overspent on 8 account codes as shown in the table below:

**Table 3.1.8: Inadequate budget controls to prevent expenditure.**

<b>Account codes</b>	<b>Description</b>	<b>Approved Budget -A</b>	<b>Approved Supplementary - B</b>	<b>Total Approved C=A+B</b>	<b>Total Expenditure - D</b>	<b>Variance (D-C)</b>
2110305	Temp Staff/Basic Wages-GNL Staff	55,079.00	-	55,079.00	56,869.27	1,790.27
2120801	Extraneous Allowance- Executive Staff	3,600.00	-	3,600.00	3,800.00	200.00
2140406	Accident Cover- Non established staff	1,823.00	-	1,823.00	2,429.00	606.00
2210309	Advertising	700.00	-	700.00	1,105.23	405.23
2210503	Meals & Refreshment for workshop participants	15,372.00	-	15,372.00	15,501.01	129.01
2210505	Hiring of conference facilities	22,470.00	23,310.00	45,780.00	58,424.28	12,644.28
2910805	Other office supplies	7,606.00		7,606.00	7,775.33	169.33
2110204	Non-Est/Basic Sal-Professional		20,857.28	20,857.28	29,296.80	8,439.52
<b>Total</b>						<b>24,383.64</b>

Management regretted the occurrence and clarified that it enforced budgetary controls and ensured adherence to the same, accordingly.

#### **Committee Observation**

Overspending may undermine credibility with stakeholders and partners in relation to adherence to budgetary constraints and responsible financial management.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management enforces budget commitment controls to prevent excess expenditure.***

#### **3.1.8.2 Missing Journal records in General Ledger**

The Audit Commission reported that the system generates sequential Journal numbers for

each entity to uphold accountability and consistency. However, an analysis of these journal numbers revealed the absence of one thousand one hundred fifty-two (1152) records within the sequence, indicating a disruption in the sequential numbering process.

**Table 3.1.9: Missing journal records in general ledger**

Missing journal numbers	Number of missing records
11368 - 12505	1138
14413	1
14539	1
15067 - 15076	10
15084	1
15093	1
<b>Total</b>	1152

Management reported that during the preceding FY 2021/2022 and the current FY2022/2023, vouchers captured and posted with the related sub-ledgers reconciled in the system were unfortunately found missing and the finance team had to recapture the lost data. Management clarified that the missing sequential numbers related to records which were lost as a result of power surges during the upgrade of sun systems from version 5.4 to 6.4 and all these records were re-captured in Sun System and reconciled. Management ensures all the logs are maintained for ease of traceability of such incidences. The matter has since been addressed.

#### **Committee Observations**

- i. The missing journal numbers suggest the possibility of incomplete financial records, which may lead to material misstatements in the financial statements. This could undermine the integrity and accuracy of the organization's financial reporting.
- ii. The absence of these journal numbers may indicate that certain transactions were not properly documented. This raises concern about the organization making payments of goods and services that were not ordered received or required posing a significant financial risk.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management reconciles all missing journal records by promptly addressing any gaps and accurately entering omitted transactions to maintain complete financial records, and establishes ongoing processes to routinely validate the integrity of sequential journal numbering while ensuring that no deletions occur directly from the database without proper authorization and documentation.***

#### **3.1.8.3 Inconsistent Exchange Rate Adjustments**

The Audit Commission reported that 377 transactions from General Ledger were transacted from EAC currency (*United States Dollar*) to Ugandan Shillings at different conversion rates compared to the monthly configured rates. The Commission noted that the conversions were carried out at varying rates, differing significantly from the monthly configured exchange rates. The conversion rates employed ranged from USD 17.7 to USD 226.6, resulting in a cumulative discrepancy of USD 29, 154.64.

Management reported that the LVFO applies the Bank of Uganda official monthly average rates for the Uganda Shillings transactions. Management clarified that the exchange rates referred to are related to the system depreciation of assets which is not linked to the present

monthly rates. Rather, all assets whose value depreciation is set at the local currency tend to self-calculate automatically by the system, of which these do not have any effect on the reported base currency (i.e. USD) in the Financial Statements. The matter was addressed.

#### **Committee Observation**

The financial statement/records may be materially misstated if there are no controls on the foreign exchange rates which may affect financial reporting, performance evaluation and decision-making.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management implements appropriate controls to effectively manage the application of exchange rates within the system, ensuring consistency with the prescribed IPSAS 4 guidelines and mitigating risks associated with inconsistent exchange rate application.***

#### **3.1.8.4 Transactions posted off the period under review.**

The Audit Commission analysis of the General Ledger extracted from the Sun System for the year under review revealed that there were fourteen (14) transactions posted in the wrong period in relation to the period under review.

Management reported that during the final reconciliations of the ledgers, it was discovered that some of the transactions were erroneously posted and were recalled after 30<sup>th</sup> June, to be corrected and after which they were reposted accordingly. This action did not affect the validity of the reconciled balances but rather ensured accuracy. Sun system allows a journal to be recalled and reposted again for correction. Tracing / trailing the recalling of the journal portrays that the system can effectively trace any trails at any point in time.

#### **Committee Observation**

Misposting of transactions in the period under review may result into misstatement of financial statements.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management enhances validity controls on the verification of transaction postings to support effective financial reporting.***

#### **3.1.8.5 Under-utilization of Sun system for purchase, invoice and inventory processes**

The Audit Commission report on review of the SunSystem accounting software revealed that LVFO is not using the system to process Local Purchase Orders (LPOs) and Invoices instead they are prepared off the system then directly posted to the General Ledger in the system. Similarly, the Inventory Management Module that streamlines the acquisition, storage and distribution of organization's stock of goods is not in use or operational.

Management reported that the upgraded version was installed during the FY 2022/23 and FY2023/24. Management clarified that the Sun System was upgraded to version 6.4 and all the configurations for the modules which were not in use were concluded and including the Training of the users, and the module is currently fully operational. The matter was since addressed.

### **Committee Observation**

Manual purchasing and invoicing processes provide limited visibility and control over the entire procurement process which may lead to unauthorized spending and inconsistent purchasing practices.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management fully utilizes the System Modules to improve operational efficiency and enhance accuracy in financial reporting.***

### **3.1.8.6 System Automation of key business support Not Utilized**

#### **3.1.8.6.1 Manual Processing of Human Resource and Payroll**

The Audit Commission reported that LVFO does not utilize Inspiro People, resulting in the absence of automated HR and payroll functionalities. The Audit Commission further reported that LVFO continues to conduct procurement operations manually.

Management reported that the E-Procurement System was still under development and is currently only being used (test) by the EAC Secretariat and has not yet been deployed to any of the other EAC Institutions. The EAC Secretariat is managing and coordinating the project. Management further clarified that it intends to include the HR and Payroll System in the FY25/26 budget.

### **Committee Observation**

The manual execution of business operations entails persistent operational inefficiencies leading to increased costs and potential human errors, impacting the accuracy of financial records and underutilization of acquired systems signifies a lack of return on investment.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management prioritizes the automation of business processes related to human resource management and procurement activities, as this will significantly enhance operational efficiency, improve the accuracy of financial records, and strengthen overall institutional performance.***

#### **3.1.8.6.2 Testing and restoration of backup copies are not documented.**

The Audit Commission observed that LVFO lacks documented testing and restoration activities for backup copies of the Infor SunSystem and e-CAS (system image and data). Moreover, there is an absence of defined frequency for conducting these essential procedures.

Management clarified that it has documented the backup testing and restoration procedures. The schedule for testing, among others, has been defined whereas backups are being tested regularly and results documented.

### **Committee Observations**

- i. Insufficient documentation undermines confidence in the completeness and accuracy of backup copies.
- ii. Absence of a defined schedule for regular testing jeopardizes the integrity of backup copies, impacting organizational operations adversely.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVFO management implements and documents regular testing and restoration***

***activities for backup copies to guarantee timely recovery of accurate and complete data during disruptions or system failures, and establishes a clear, defined schedule for testing and restoration of both system image and data backups.***

### **3.2 EAST AFRICAN COMPETITION AUTHORITY (EACA)**

#### **3.2.1 REVIEW OF FINANCIAL STATEMENTS**

##### **3.2.1.1 Non-recovery of VAT Claims since EACA Inception**

The Audit Commission reported that since EACA came into operation in November 2016, no VAT claims have been refunded by the Tanzania Revenue Authority (TRA). A review of the VAT recoverable records for three financial years of 2020/2021, 2021/2022 and 2022/2023 an increasing trend of VAT recoverable up to **USD 45,662** as indicated in the Table below:

**Table 3.2.1: Increasing VAT refund receivables**

<b>Financial Year</b>	<b>Outstanding Amount (USD)</b>
<b>2020/20201 and before</b>	26,844
<b>2021/2022</b>	10,409
<b>2022/2023</b>	8,409
<b>Total</b>	<b>45,662</b>

When the committee interacted with EACA management, it reported that there is great improvement in the recovery of VAT refunds. EACA received VAT refunds on 30 June 2024 (TZS 19,829,368.42) and 28 August 2024 (TZS 14,904,629) from the Tanzania Revenue Authority and management submitted invoices and received notification from the Tanzanian Revenue Authority amounting to **TShs 10,811,307.30** which it expects to receive soon. EACA Management in collaboration with the EAC Secretariat continue to engage with the relevant Revenue Authority.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management collaborates with the EAC Secretariat and follows up with the relevant Revenue Authorities on the outstanding VAT refund.***

#### **3.2.2 REVIEW OF EACA STRATEGIC PLAN 2019-2024**

##### **3.2.2.1 Consumer Protection Not Yet Operationalized**

The Audit Commission noted that contrary to Part VIII of the EAC Competition Act 2006, procedures for handling consumer complaints were yet to be established. Consumer awareness campaigns were also yet to be launched while partnerships were yet to be established with key consumer protection bodies.

When the Committee interacted with EACA Management, it reported that the Draft Second Strategic Plan which was developed in consultation with the Partner States and considered by Commissioners in September, 2025 took into account consumer welfare. The Draft Plan is expected to be adopted by the Council of Ministers in November 2025. Management further reported that it has handled a consumer complaint relating to an arbitrary denial of boarding, discriminatory treatment and refusal to refund the complainant; issued consumer alerts on banned medicines from India which were considered to pose health risk; collaborated with the EAC Secretariat to finalise the development of Draft EAC E-Commerce Consumer Protection Regulations.

### **Committee Observation**

Failure to operationalise consumer protection measures may result in non-compliance with existing regulations.

### **Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management considers operationalising consumer protection in the next strategic plan period.***

#### **3.2.2.2 Objective on Building an Effective Merger Review Regime Yet to Be Fully Attained**

The Audit Commission reported that the Authority had only concluded and signed cooperation frameworks with the Competition Authorities of Kenya and United Republic of Tanzania. The frameworks with the remaining partner states of the Republic of Burundi, Democratic Republic of Congo, Republic of Rwanda, Republic of South Sudan and Republic of Uganda were yet to be finalised despite the activity having been planned for implementation by 2020.

When the Committee interacted with EACA Management, it reported that a draft Cooperation framework with the Partner States as envisaged under the Act was developed and a meeting was convened in April 2025 to consider the draft Cooperation framework. Management initiated bilateral negotiations with the Competition Commission of Democratic Republic of Congo and developed a draft Memorandum of Understanding for their comments or input. Management further concluded an MOU with COMESA Competition Commission on 10th June 2024 and developed a draft Cooperation framework with COMESA to be discussed during a meeting planned before end of 2025.

### **Committee Observation**

Delays in conclusion of frameworks with national authorities may hinder smooth implementation of the Act and overlapping jurisdiction between the Regional Economic Community may not be addressed.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management fast-tracks the finalisation of frameworks with the respective Partner States and COMESA.***

#### **3.2.3 REVIEW OF EACA GOVERNANCE**

##### **3.2.3.1 Delays in onboarding new Partner state Commissioners.**

The Audit Commission reported that section 13 of the EAC Competition (Amendment) Act, 2023 mandates each partner state to nominate one Commissioner to the Authority and the Authority shall be constituted by all the Commissioners from the partner states. The Audit Commission noted that the Authority had only five Commissioners since it came into operation, leaving the two partner states; Republic of South Sudan and Democratic Republic of Congo with no nominated Commissioners. The Audit Commission noted that the Authority being served by insufficient number of commissioners all the time of its operations might have negative impact on execution of its mandate.

EACA Management reported that the EAC Competition (Amendment) Bill 2023 was fully assented to and gazetted in 2024 (**EAC Gazette No.33 of 31<sup>st</sup> December, 2024**) and provides for appointment of Commissioners from all the Partner States. Management further

informed the Committee that requests for nomination of Commissioners for appointment by the Council of Ministers were sent to DRC, RSS and FRS in April, 2025 but only received nomination from FRS and DRC (**EAC/CM 47/Decision 54**) and awaits nomination from RSS. (INS/7/5, 4<sup>th</sup> September 2025; INS/7/5; 16<sup>th</sup> April, 2025; INS 7/5, 25<sup>th</sup> October 2025).

#### **Committee Observation**

The absence of commissioners from some partner states may lead to a lack of ownership of the EACA's activities and decisions by those states.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management collaborates with the Secretariat and fast-tracks the nomination of the Commissioner from the Republic of South Sudan in order to fully constitute the Commission.***

### **3.2.4 REVIEW OF OPERATIONAL EFFICIENCY**

#### **3.2.4.1 Limited Competition culture in the EAC Region**

The Audit Commission report revealed limited competition cultures within the EAC region as the region has always faced challenges in enacting competition laws and setting up institutions to deal with the same, making the regional market shrink with malpractices and anti-competitive behaviors. The Commission further reported that the Republic of Burundi has the Act in place but is yet to establish the Competition Authority while Republics of Uganda and South Sudan are yet to enact their National Competition Laws or establish National Competition Authorities.

When the Committee interacted with EACA Management, it reported that sensitisation and awareness initiatives were conducted during the months of December 2024 and January 2025 and there was an ongoing sensitization and awareness on the eminent commencement of the merger regime in November 2025, 2025. Management further conducted capacity-building for the Independent Competition Commission of Burundi Commissioners in January, 2025.

#### **Committee Observation**

Limited competition culture may slow down economic growth in the region.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management spearheads deliberations with relevant government officials on the operationalisation of National Competition and Consumer Protection Laws in their respective countries.***

### **2.3.5 REVIEW OF HUMAN RESOURCE MANAGEMENT**

#### **2.3.5.1 Understaffing of EACA**

The Audit Commission reported that a review of the current EACA organisational structure and the staff in-post revealed that the Authority does not have adequate human resources to carry out its activities. The Commission noted that out of 23 positions provided for by the establishment, only five (5) were staffed by full-time staff leaving eighteen (18) positions vacant. Details of the vacant positions are analyzed in the table below.

**Table 3.2.2 Staffing Level in EACA**

<b>POSITION</b>	<b>NO. REQUIRED</b>	<b>FILLED POSITIONS</b>	<b>VACANT POSITIONS</b>
<b>Registrar</b>	1	1	0
<b>Deputy Registrar</b>	3	2	2
<b>Director Finance &amp; Administration</b>	1	0	1
<b>Principal legal officer</b>	1	0	1
<b>Principal Analyst</b>	4	0	4
<b>Senior Analysts</b>	4	0	4
<b>Analysts</b>	2	0	2
<b>Accountants</b>	1	0	1
<b>IT Officer</b>	1	0	1
<b>Procurement Officer</b>	1	0	1
<b>HR Officer</b>	1	0	1
<b>Driver</b>	1	1	0
<b>Admin Assistant</b>	1	0	1
<b>Personal Secretary</b>	1	1	0
<b>Total</b>	<b>23</b>	<b>5</b>	<b>18</b>

The Commission noted that a number of vacant positions are yet to be filled.

Management reported that the Ordinary Council that was held from 30th August to 6<sup>th</sup> September, 2025 did not consider staffing matters but was optimistic that the Council of Ministers will provide a way forward to resolve the matter.

#### **Committee Observation**

Due to the insufficient human resources at the EACA, planned activities may not be carried out and thus, strategic objectives may not be achieved.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that EACA management engages all relevant stakeholders with a view to recruiting additional staff to fill the vacant posts provided in the current Organisational structure, in order to accomplish planned activities and achieve strategic objectives.*

### **2.3.6 REVIEW OF BUDGET EXECUTION**

#### **2.3.6.1 Outstanding Contributions Receivables from Partner States USD 560,768**

The Audit Commission reported that Partner States contributions had an outstanding balance of **USD 816,099** at the beginning of the year. Further review noted that the approved contribution budget from Partner States for the Financial Year 2022/2023 was **USD 1,179,655** making a total contribution due of **USD 1,995,754**. However, analysis of receipts revealed that total contribution paid by Partner States for the year under review was **USD 1,077,924** representing **54%** of the total contribution due, leaving an outstanding receivable

of **USD 917,829**. A further analysis revealed that during the year under review, the Summit authorised write off of long outstanding receivables from Republic of South Sudan of **USD 357,061** resulting in total receivables closing balance of **USD 560,768** as indicated in the Table below.

**Table 3.2.3: Analysis of Partner States Contributions**

Partner State	Amount Due at start of FY (USD)	Appropriations during the year (USD)	Total Amount due (USD)	Receipts during the year (USD)	Write-off (USD)	Amount Outstanding (USD)
Burundi	186,957	168,522	355,479	134,895	0	220,584
Kenya	0	168,522	168,522	168,522	0	-1
Rwanda	22	168,522	168,544	168,512	0	32
Tanzania	110	168,522	168,632	168,523	0	109
Uganda	1,169	168,522	169,691	166,692	0	2,999
South Sudan	627,841	168,522	796,363	270,778	357,061	168,522
DRC	0	168,523	168,523	0	0	168,523
<b>Total</b>	<b>816,099</b>	<b>1,179,655</b>	<b>1,995,754</b>	<b>1,077,924</b>	<b>357,061</b>	<b>560,768</b>

When the Committee interacted with EACA management, it reported that this was not yet implemented but EAC Secretariat makes follow-ups of disbursements on behalf of all organs and institutions with the partner states through the line ministries of EAC and ensures that the status of their contributions is on the agenda of all meetings of the Council.

#### **Committee Observation**

Defaulting Partner States did not comply with the Regulation 23(5) of the East African Community (EAC) Financial Rules and Regulations 2012, hence affecting the operation of the EACA.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management collaborates with the EAC Secretariat to ensure that EAC Partner States fulfil their obligations of paying all outstanding contributions, in order to finance the implementation of EACA's planned activities.***

#### **2.3.6.2 Weaknesses in Resource Mobilization**

The Audit Commission reported that **USD 739,487** out of expected EACA budget of **USD 1,179,655** from Partner States was received through EAC Secretariat leaving a balance of **USD 440,168** uncollected before September 2023. The Commission further noted that the EAC Secretariat received **USD 236,180** after September 2023 but the fund was transferred to the Secretariat General Reserve, in accordance with the recommendation of the Council on the matter.

Management reported that the EAC Secretariat makes constant reminders to the Partner States to clear their outstanding contributions on behalf of all Organs and Institutions.

#### **Committee Observation**

With insufficient funds, EACA might not be able to effectively implement its core activities and therefore, the intended strategic objectives may not be fully attained.

### Committee Recommendation

**The Committee recommends to the Assembly to urge the Council to ensure that EACA management collaborates with the Secretariat and continuously engages Partner States to ensure the timely and regular remittance of contributions for the smooth flow of EACA activities.**

### 2.3.7 BUDGET CONTROL AND PERFORMANCE

The Audit Commission reported that for budgetary credits of **USD 1,244,155**, EACA was only able to consume **USD 836,145**, or **67%** of performance. This revealed an overall budget underperformance of expenses by **33%**, due to the low level of mobilization of budgeted financial resources. The detailed budget review further revealed the underperformance in some of key Program activities, ranging from 47% to 100% as evidenced in the table below.

**Table 3.2.4: Budget Underperformance of Key Programme Activities for the Year Ended 30 June 2023**

Description	Final Budget (USD)	Actual Amount (USD)	Variance (USD)	Under Performance %
	A	B	C=(A-B)	D=(C/A) *100
To conduct consultations / negotiations and bilateral	26,000	11,928	14,071	54%
To conduct multi-sectoral national stakeholders	43,560.	21,797.	21,762	50%
To review and maintain EACA website and related on	2,550.	1,350.	1,200.	47%
To procure Interpretation services and translation	80,523.	0	80,523.	100%

When the Committee interacted with EACA management, it reported that 60% of the budget was earmarked for recruitment which was not undertaken and funds allocated for emoluments cannot be reallocated for program activities. This painted a picture of budget underutilization. Management further reported that EACA continues to implement its planned activities within irrespective of these constraints.

### Committee Observation

The low level of mobilization of financial resources leads to the inability for EACA to implement planned activities and exposes it to the risks of not achieving its objectives on time.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management sufficiently recovers and utilizes funds budgeted for the implementation of activities in accordance with the approved budget and planned activities, to avoid underutilization of resources, particularly for core activities.***

### **2.3.7.1 Supporting activities taking a bigger percentage of the EACA budget than Key programme activities**

The Audit Commission reported that out of the total forecast of **USD 1,244,155**, the main activities cover **USD 587,073**, representing **47%**, while the support activities are forecast at **USD 657,082** or **53%**. The Commission noted that despite this low proportion in the budget, the credits of **587,073USD** allocated to the key activities of the program were only absorbed to the tune of **437,403 USD** or **77%**, representing **36%** of the entire Budget. This practice is contrary to United Nations agencies recommendation ratio of **70%** for core activities and **30%** for supporting activities.

Management reported that 60% of the budget was earmarked for recruitment which was not conducted. Management further reported that the Institution received Technical Assistance support from the European Union amounting to **Euros 920,000** to facilitate implementation of its core operations.

#### **Committee Observation**

The poor allocation of credits, which does not consider the ratios between the key programme activities and the support activities, exposes the entity to non-achievement of objectives and waste of financial resources.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management allocates a larger share of the budget to the implementation of key programme activities than to support activities.***

### **2.3.8 REVIEW OF INTERNAL CONTROLS**

#### **2.3.8.1 Non-Adherence to Segregation of Duty control**

The Audit Commission noted with concern incidents where imprest retirements or accountabilities worth USD 15,600 were prepared and approved by the same person who accounted for these funds. The Commission further noted that whereas the requests for these same imprest funds were requested and approved by different persons, the practice of the same person approving their accountabilities poses a serious breach of segregation of duties.

When the committee interacted with EACA Management, it reported that this has been fully implemented.

#### **Committee Observation**

The lack of segregation of duties leads to self-review.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management puts in place necessary controls and enforces segregation of duties in its processes.***

### **2.3.9 REVIEW OF ASSETS MANAGEMENT**

#### **2.3.9.1 Use of fully depreciated assets**

The Audit Commission report revealed that a motor vehicle with registration number TCD 919 and acquisition cost of TZS 77,432 was fully depreciated. The Audit Commission noted that EACA insured the motor vehicle with Strategies Insurance Tanzania Limited for a period from

05 October 2022 to 30 September 2023 while the motor vehicle has 1 USD balance in the fixed assets register as at 30 June 2023. Since it is the EAC Secretariat that is in charge of the EACA motor vehicle, USD 3,296 was paid to EAC Secretariat in respect of insurance premium of motor vehicle for the year 2022/2023 through a payment voucher with Cheque number 015956 dated 08 June 2023. This implies that EACA incurred expenses for the asset without presenting its value in Financial Statements.

When the committee interacted with management, it reported that EACA has budgeted for the hire of an Expert to carry out the Valuation of its assets in FY 2025/2026.

### **Committee Observation**

EACA's policy on asset depreciation may not be appropriate and the insurance costs are not genuine.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management revises its policy to assign useful life to assets valued at 1 USD, in line with IPSAS 17.***

## **3.2.10 REVIEW OF INFORMATION SYSTEMS**

### **3.2.10.1 Review of Sun System**

#### **3.2.10.1.1 Manual posting to GL of payment to suppliers and staff without LPO and invoice or Payment Voucher**

The audit commission reported that during the review of the Sun system, a significant issue was identified concerning payments to suppliers and staff imprest. The commission further observed that certain transactions related to such payments were posted directly to the General Ledger (GL) without following the prescribed LPO, PV and invoice process in the purchase module. Notably, these cases for supplier payments were not related to balances brought forward from the previous year.

Management reported that this was fully implemented.

### **Committee Observations**

- i. Payments posted without going through the proper LPO and invoice matching process can bypass the necessary approval steps, potentially leading to unapproved transactions.
- ii. The absence of the standard approval workflow and matching process increases the risk of errors and fraudulent transactions. It can also lead to discrepancies in financial records.
- iii. This deviation from the standard process can lead to compliance issues with internal policies and potentially raise audit concerns regarding the integrity of the financial data.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management:***

- i. Conducts a thorough review of the Sun system's configuration to rectify any settings or permissions that allow direct posting of payments to the GL;***
- ii. Ensures that all payments particularly those to suppliers and staff imprest follow the prescribed LPO and invoice process; and***

- iii. Provides comprehensive training to staff involved in payment processing to emphasize adherence to standard procedures and controls within the Sun system.*

#### **3.2.10.1.2 Inefficiencies and Control Weaknesses in Adjustments Processing within the Sun System**

The Audit commission noted that the system controls in passing adjustments revealed a lack of segregation of duties, as adjustments are initiated and posted by the same person in the system. This was associated with the following causes: (1) Sun system has multiple windows for adjustments one of them allows users to adjust transactions using single entry; and (2) The Sun system has not been set up to prevent single users to both initiate and post adjustments.

Management reported that this was fully implemented.

#### **Committee observations**

- i. The implication of these issues is that the accuracy and integrity of the financial records are compromised and this may lead to misreported financial results, hinder effective financial management, and increase the risk of errors and fraud.
- ii. The lack of segregation of duties increases the risk of unauthorized or fraudulent adjustments going unnoticed, potentially leading to financial irregularities.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that EACA management implements segregation of duties by assigning different individuals to initiate and post adjustments in the system, thereby reducing the risk of errors or fraud going undetected.*

#### **3.2.10.1.3 Weaknesses in opening and closing of Accounting Period in the Sun System**

The audit commission reported that revealed significant weaknesses in adherence to the accrual accounting principles. Specifically, transactions within the Sun System were not consistently posted in the correct account periods. These issues include: (i) Transactions posted to previous account periods without evidence of approval by the director of finance to open them and post; and (ii) Transactions posted to future account periods, where the account period was later than the transaction date.

#### **Committee observations**

The accuracy of financial reporting is compromised as transactions are not consistently recorded in the correct accounting periods, leading to misstated financial results.

The lack of approval for transactions posted to previous periods can lead to financial inaccuracies and a lack of transparency in financial reporting.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that EACA management strengthens internal controls within the Sun System to restrict the posting of transactions to previous or future account periods without proper approval by the Director of Finance, implements an approval workflow to ensure compliance with the EAC financial procedures manual, and restricts backdating of login dates in the Sun System.*

#### **3.2.10.1.4 Budget entry, reallocation and supplementary done by system administrator**

The Audit commission reported that contrary to the established requirements, a review of the budget ledger, reallocations, and supplementary procedures revealed that the initial budget is entered and posted by the Sun System administrator. Similarly, budget reallocations and supplementary actions are undertaken by the Sun System administrator, rather than being managed by the designated Budget Department as specified in the financial procedures manual.

Management reported that this was fully implemented.

#### **Committee observations**

- i. Allowing the Sun System administrator to enter the initial budget and perform reallocations and supplementary actions may result in a lack of accountability for these critical financial processes.
- ii. The involvement of the Sun System administrator in budget-related tasks may increase the risk of errors in budget management and reporting.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management grants budget access permissions solely to authorized personnel from the Budget Department allowing them to enter and post the initial budget, perform reallocations, and manage supplementary budgets while restricting the Sun System administrator's ability to perform budget-related tasks, in line with the financial procedures manual.***

### 3.3 EAST AFRICAN SCIENCE AND TECHNOLOGY COMMISSION (EASTEKO)

#### 3.3.1 REVIEW OF STRATEGIC PLAN

The audit Commission reported that the Commission conducted mid-term review of the Strategic Plan 2017-2022 in December 2019 to determine the level of achievement of the set targets and to streamline and update the targets for increased efficiency and effectiveness in the second half of the implementation period. The Commission then carried out a terminal review in June 2022 of the strategic plan, to assess, quantify and document the extent to which the stated strategic Plan outputs and outcomes were achieved. However, the audit commission report revealed that 2 out of the 4 major strategic objectives scored the pass mark of 70% while other two did not as shown in Table 3.3.1 below.

**Table 3.3. 1: Average Achievement of Strategic Objectives**

Strategic Priority	Sub Objectives	Average Score-%
Support for Evidence-based Policies	<ul style="list-style-type: none"> <li>• Development of regional STI policies and frameworks</li> <li>• Strengthening of the regional STI knowledge management</li> </ul>	<b>74.6</b>
Promotion of STI Knowledge and Innovation	<ul style="list-style-type: none"> <li>• Enhancement of STEM education</li> <li>• Leveraging of scientific research</li> <li>• Support for innovation and commercialization of technology</li> </ul>	<b>72.2</b>
Application of STI For Socio-Economic Development	<ul style="list-style-type: none"> <li>• Increasing value addition in agriculture</li> <li>• Promotion of technological solutions in energy and environment</li> <li>• Enhancement of bio-technological initiatives</li> <li>• Support for export-oriented industrial development and trade</li> <li>• Information and communication technology as a cross-cutting area</li> </ul>	<b>67.1</b>
EASTEKO Foundational Commitments	<ul style="list-style-type: none"> <li>• Strengthening of EASTEKO's institutional framework</li> <li>• Improvement of collaboration and partnerships in STI</li> </ul>	<b>68.6</b>

The Audit commission further noted that there was no mechanism for regular tracking and monitoring of implementation of the work plan hence the strategic plan was also not tracked.

Management reported that the previous strategic plan provided for lump sum annual budgets and during the review, the annual budgets were broken down. Management further clarified that the budgets were broken down in the Annual operational plan.

#### Committee observation

The failure to achieve or partial achievement strategic goals may lead to none implementation of planned strategic objectives.

## **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to direct the EASTECO management to:***

- i. Regularly carryout strategic evaluation of the Commission’s strategic goals/ objectives, identify potential obstacles, and take corrective actions to mitigate the risk of failure.***
- ii. Engage the relevant stakeholders to ensure that all impediments are addressed so that they do not affect the newly approved Strategic Plan for 2022/2023 -2026/2027.***

### **3.3.2 GOVERNANCE**

#### **3.3.2.1 Delayed Implementation of Headquarters Agreement**

The Audit commission reported that that the Commission’s headquarters office is located on the 5<sup>th</sup> floor of Queen’s land house which is a private commercial property. The Audit Commission further noted that the Commission signed a contract for the lease of state land with the Government of Rwanda represented by the Ministry of Environment for a period of 49 years. The Commission was awaiting transfer of the title deed.

Management reported that Republic of Rwanda allocated Office space for rent at Telecom House on 2<sup>nd</sup> Floor in 2015 when EASTECO became operational. However, since April, 2021 Telecom House underwent renovations and this prompted EASTECO office to be temporarily relocated to a private building Queens Land on 5<sup>th</sup> Floor. Management further clarified that EASTECO is paying cheaper rent in the current location at Queensland house, than it was paying earlier at Telecom house, and is also cheaper than all the alternatives surveyed.

#### **Committee Observation**

Absence of the Commission’s headquarters office leads to high expenditure on renting office Accommodation and occupation of a private commercial property as the Institution’s office may make it violable and the Commission may not have full control and authority.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to provide funds for the construction of the EASTECO headquarters, so that rental expenses can be repurposed to support other Commission activities.***

### **3.3.3 BUDGET AND BUDGETARY CONTROLS**

#### **3.3.3.1 Non remittance of Contributions from Partner States**

The Audit Commission reported that during the year under review, a total contribution from Partner States of USD 2,135,132 was expected to finance Commission budget for the financial year 2022/2023. However, only USD 1,388,437 was received leaving a shortfall of USD 746,695 unremitted representing 35% of the budget.

Management clarified that as per Council of Minister’s directive – **EAC/CM35/Directive 48**, EASTECO through the EAC Secretariat continuously engages the Partner States to contribute in a timely manner and/or reduce the outstanding arrears. As per the EAC Treaty, the Council of Ministers is also considering a background paper from EAC Secretariat on the “Investigation

of Breaches to the Treaty, Amendments to Rules of Procedure of the Policy Organs and Schedule of Sanctions”.

### Committee observation

Non-implementation of planned activities can lead to failure to attain the Commissions objectives.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management consults with the Secretariat to carry out an appraisal of actionable measures against Partner States for continued late disbursements and non-remittance.***

### 3.3.3.2 Variance Between Budget Uploaded in Budget Management System and that in Sun System

The Audit commission reported that during the financial year under review, the Commission had an approved budget of USD 2,145,132 to spend on 39 account codes. However, the Audit Commission noted that the uploaded budget in BMS and Sun System for the period under audit revealed that there were ten (10) account codes whereby the Sun System Budget were not matching with the system uploaded budget (BMS). In addition, included in the budget for sun system is purchase of motor vehicle under account code 2900301 amounting to USD 100,000 which could not be traced to BMS.

**Table 3.3.2: Variance between Budget Uploaded in Budget Management System and that in Sun System**

Account Code	Description	Budget Management System (USD)	Sun System Budget (USD)	Variance (USD)
2210301	Printing and Publishing Services	15,563	7,763	7,800
2230101	Air Ticket EAC-Staff/Incl Mileage	109,186	104,686	4,500
2230102	Air Ticket EAC-Delegate & Consultants Incl Mileage	36,692	38,692	(2,000)
2230114	DSA Full or 1/4-Staff	443,063	336,788	106,275
2230115	DSA full or 1/4- Delegates & Consultants	186,186	219,086	(32,900)
2240108	Contracted Professional Services-Consultancy Fees	207,116	143,116	64,000
2120504	Responsibility Allowance-Professional Staff	-	4,401	(4,401)
2210505	Hiring of Conference Facilities	-	17,300	(17,300)
2240109	Contracted Special Technical Services	-	17,600	(17,600)
2900301	Motor Vehicles	-	695	(695)

Management reported that the Commission had challenges with the system especially its harmonisation which took time to generate budget codes to be fed in the sun system which affected implementation of activities in the first three months (first quarter). A consultant was later hired to rectify the challenge in October 2025.

### Committee Observations

- i. Failure to upload the approved budget in the proper account codes may lead to a diversion of funds towards activities not budgeted and affects the implementation of activities that had been planned which may affect the realization of EASTECO strategic objectives.
- ii. Weak budgetary controls may lead to overspending or underspending of the approved budgets.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management implements budget controls in the system by uploading the approved budget and subsequent supplementary allocations to the respective account codes, ensuring that actual expenditures occur only within budgeted accounts, and carries out system enhancements and customizations to prevent expenditures on unbudgeted items.***

### 3.3.4 REVIEW OF CASH AND CASH EQUIVALENTS

The Audit commission reported that the EAC Financial Procedurals Manual 2013 is at the level of the Secretariat and has not been customized for the Commission hence most of the provisions were not applicable to the Commission. The Audit commission further reported that it was not provided with a list of Panel A and panel B of six signatories appointed by the Secretary General in accordance with Section 5.2(e) of the Financial Procedures Manual, 2013. However, Audit Commission was provided with a list of two signatories one in each Panel contrary to the Manual. The recommended office bearers in Table D of the Manual as shown below were not the ones designated as signatories for EASTECO especially under Panel A.

**Table 3.3.3: Signing Limits and Signatory Matrix**

Approval Level USD	Panel A		Panel B	
	Principal	Alternate	Principal	Alternate
1 to Total Budget of the Institution	Deputy Head of the Institution (Finance and Administration)	-Deputy Head of the Institution (Programmes depending on titles)	-Accountant	Any senior finance staff designated by the Head of the Institution

Management clarified that notwithstanding provisions of the EAC Financial Procedures Manual, 2013, because of the lean staff compliment at the Commission, the signatories of the Commission have always been the Executive Secretary and the Principal Accountant. However, management commits to comply with the relevant financial regulations, policies and procedures with regard to bank signatories of the Commission. Management will also as far as practicable explore customizing the EAC Financial Procedures Manual to the peculiarities of the Commission.

### Committee observation

This short come defeats the purpose of this policy which is to ensure that the Community operates all its banking affairs and manages its cash in accordance with the established financial procedures, international standards and best practices.

### Committee recommendation

*The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management complies with the provisions of the EAC Finance Procedures Manual, 2013, on the management of bank and cash.*

### 3.3.5 REVIEW OF ACCOUNTS RECEIVABLE

#### 3.3.5.1 Outstanding Receivables from Partner States

The Audit Commission reported the Statement of Financial Position as at 30 June 2023 reflects USD 974,273. Included in this amount is USD 940,490 being receivable contributions from partner states which have been outstanding for more than one year.

**Table 3.3.4: Outstanding Receivables from Partner States**

Partner State	Outstanding as at 30 June, 2022 (USD)	Outstanding as at 30 June, 2023 (USD)
Republic of Burundi	250,607	363,516
Republic of Kenya	1	1
Republic of Rwanda	18	40
Republic of Tanzania	5	12
Republic of Uganda	1,858	5,168
Republic South Sudan	1,110,926	285,876
Democratic Republic of Congo	-	285,876
<b>Total</b>	<b>1, 115,346</b>	<b>940,489</b>

Management reported that the Commission together with other EAC Organs/ Institutions through the EAC Secretariat make regular reminders through letters and/or debit notes to the Partner States for them to disburse their statutory contributions. The same is also reported to every meeting of Council of Ministers as in the forthcoming 44<sup>th</sup> Meeting of the Council. Management is also making initiatives to mobilize funds for the Commission projects and programs from development partners. In this regard, management has developed the EASTECO Resource Mobilization Strategy which has been approved by the governing board of the Commission and the Sectoral Council on Education, Science and Technology, and Culture and Sports and is being taken to the Ordinary Meeting of Council of Ministers for noting. Management is also in the process of engaging a Resource Mobilization Consultant to implement the commission strategy above.

### Committee observation

Failure to pay annual contributions can create financial constraints for the regional body which can impact on its ability to fund ongoing programs, initiatives, and administrative expenses. It may lead to budget shortfalls, limiting the Commission's capacity to effectively carry out its mandate.

### Committee Recommendation

*The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management collaborates with the Secretariat to engage Partner States on the recoverability and timely remittance of outstanding contributions, and fast-tracks the implementation of EASTECO's 2023 resource mobilization strategy to complement Partner States' contributions, which are insufficient and irregular.*

#### 3.3.5.2 Outstanding VAT Refund

The Audit commission reported that the Statement of Financial Position of EASTECO as at 30 June, 2023 reflects USD 974,273 being accounts receivable. Included in this amount is USD 31,472 being VAT receivables which remained outstanding from the Government of Rwanda.

Management informed the committee that a request for refund was submitted including follow-ups. Management further clarified that EASTECO receives the refunds annually including USD 13,000 this financial year 2025/2026 but the challenge is the backlog.

#### **Committee Observation**

Non-recoverability of the VAT refund may negatively impact on planned implementation of activities.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management collaborates with the EAC Secretariat to closely follow up with the relevant authorities on the long-outstanding amount of VAT recoverable.***

### **3.3.6 HUMAN RESOURCE MANAGEMENT**

#### **3.3.6.1 Understaffing of EASTECO**

The Audit Commission report on the current EASTECO Organisational structure and the filled posts reveals that the EASTECO does not have sufficient human resources. The Audit commission noted that out of 25 established positions provided by the current structure, only 13 were filled as at 30<sup>th</sup> June 2023 implying that 18 positions representing 72% were vacant as shown below. In addition, it was noted there was no succession plan in cases of retirement or end of contract.

**Table 3.3.5: Understaffing of EASTECO**

<b>Position</b>	<b>Staff establishment</b>	<b>Staffing status (Current year – 2022/2023)</b>	<b>Unfilled position</b>	<b>Understaffing %</b>
Executive Secretary	1	1	(0)	0
Deputy Executive Secretary	2	1	(1)	50
Professional Staff	16	4	(12)	75
General staff	6	1	(5)	83
<b>Total</b>	<b>25</b>	<b>7</b>	<b>(18)</b>	<b>72</b>

Source: Staff Establishment

Management reported that, it consulted the EAC Secretariat and took an initiative to inform the 44<sup>th</sup> Meeting of the Council of Ministers to fast-track the recruitment of key positions at EASTECO so as to fill the current positions.

#### **Committee Observation**

Failure to fill the vacant positions as stated in the organizational structure may negatively impact organizational effectiveness in undertaking day to day activities to deliver on its

mandate as well as lack of segregation of duties.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management engages the relevant stakeholders to fast-track recruitment for vacant posts as provided in the current organizational structure, and, in consultation with the Secretariat, develops a succession plan to ensure immediate replacement upon contract expiry or retirement.***

#### **3.3.6.2 Failure to Prepare Training Needs Assessment for the Commission**

The Audit Commission reported that contrary to Regulation 34(2) of Staff Rules and Regulations, 2006, the Commission did not prepare training need assessment for its staff for the period under review.

Management reported that, training needs are enshrined in the EAC appraisal system in which Staff indicate the areas in which they need to capacity enhanced. Management clarified that it will use the approved individual Staff Appraisal Forms to identify areas for training and as such enable the Human Resources function at EASTECO to prepare a comprehensive Institutional-wide Training Needs Assessment for funding in the second half of the FY 2023/2024 through a supplementary budget request or through the normal budgeting process for the FY 2024/2025.

### **Committee Observation**

Training that is not based on a training need assessment may not address critical skills and knowledge gaps within the organization. As a result, the training may not be as effective in improving job performance and achieving desired outcomes.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management carries out a training needs assessment at the beginning of each financial year to address knowledge gaps among staff.***

#### **3.3.7 EXPENDITURE MANAGEMENT**

##### **3.3.7.1 Lack of Segregation of Duties Between the Originator and Approver of Transactions in the General Ledger**

The Audit Commission reported that analysis of journal entries and posting roles showed there was no segregation of duties. Seven hundred and Seven- Six (776) transactions were initiated and posted by the same user ZAK while Seven hundred and Twenty-four (724) were initiated and posted by user ZZZ. In addition, four (4) transactions did not have the posting date.

Management reported that this is associated with lack of adequate staff and the Principal Accountant is the only staff in the department.

### **Committee Observation**

Lack of segregation of duties may lead to higher risks of fraud and errors.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that***

***EASTECO management conducts periodic reviews of access controls to confirm that allocated rights are valid and aligned with job roles, and ensures proper allocation and approval for posting transactions with adequate oversight and error detection.***

### **3.3.7.2 Internal Control Weaknesses in Invoice Matching**

Contrary to Section 4.3.5.3 of the Financial Procedures Manual 2013, the Audit Commission reported that some invoices were submitted before LPO was issued to the supplier as shown in the sample below. In addition, payments are done manually since invoices are not matched to their respective LPOs in the system and a commitment made prior to initiation of payment.

Management reported that there was a system problem and as such, when the system was initiated, it would indicate as if there were no funds. However, the issue was addressed by the consultant.

**Table 3.3.6: Invoices Submitted Prior to Issuance of LPO**

<b>LPO Number</b>	<b>Amount (USD)</b>	<b>LPO Date</b>	<b>Invoice Date</b>
287/04/2022	298	04-Apr-22	01-Apr-22
305/06/2022	528	04-Jul-22	24-Jun-22
315/07/2022	1,018	11-Jul-22	09-Jul-22
380/01/2023	854	21-Jan-23	20-Jan-23
378/01/2023	3,021	18-Jan-23	16-Jan-23
383/01/2023	298	29-Jan-23	27-Jan-23
377/01/2023	1,960	18-Jan-23	13-Jan-23
327/09/2022	4,476	13-Sep-22	10-Sep-22
345/10/2022	3,061	27-Oct-22	25-Oct-22
343/10/2022	598	21-Oct-22	19-Oct-22

### **Committee observation**

Manual processing of payments is prone to errors and may lead to fictitious payments.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management complies with the financial procedures manual in the processing of transactions.***

## **3.3.8 REVIEW OF ICT GOVERNANCE**

### **3.3.8.1 Lack of Internal Service Level Agreement Between the IT Function and User Departments**

The Audit Commission's review of the Commission's documents revealed that there were no internal service level agreements (SLAs) between IT unit making it difficult to measure and monitor IT-operations against agreed objectives.

Management has noted the importance of having SLAs between ICT Unit and System Owners and Committed to develop the same with system owners/user departments.

### **Committee Observations**

- i. Non-existence of internal service level agreement (SLA) between the IT unit and user

departments will deprive the organization from getting quality services from its IT investment.

- ii. Absence of formal agreement between ICT and user departments may lead to failure to meet operation expectations.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management develops SLAs between the ICT department and user departments to define responsibilities, accountability, and working arrangements of both parties.***

### **3.3.9 REVIEW OF ICT GENERAL CONTROLS**

#### **3.3.9.1 Lack of Incidents Management Procedures**

The Audit Commission reported lack of incidence management procedures in place. In addition, there was no incident logbook or register for recording and effective tracking of incidents. Incidents were received mostly by phone call and there is no mechanism of recording them. Thus, it was difficult to identify whether they were resolved timely and reviewed regularly to identify recurring incidents and find a permanent solution.

Management took note of the relevance of incident management tool and committed to provide for a budget in the next budgeting cycle to procure the IT help desk application.

#### **Committee Observation**

Failure to identify the need for enhanced or additional controls to limit the frequency, damage and cost of future occurrences of computer incidents, or to be considered in the policy review process.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management procures an ICT incident management tool to record and track information security incidents, and establishes an IT help desk function as a central point for all IT-related issues, providing accurate reports that drive continuous improvement.***

#### **3.3.9.2 Development of Systems Without Proper Documentation**

The Audit Commission reported that the Commission implemented a project to design and develop East Africa Regional STI indicators and web-based electronic database and East Africa science technology and innovation database in the year 2021/2022. The two systems were completed and handed over to the Commission by respective vendors. However, the Audit Commission was not provided with documentation clearly defining the System User requirements specifications, System design document, Project implementation timelines, User Acceptance Reports (UAT) and the User manual.

Management informed the Committee that it intends to plan for the development of a comprehensive policy and procedure for Information Systems in the following FY. Management further clarified that With regards to STI Indicators and web-based electronic database and East Africa science technology and innovation database, ICT staff were trained and user manual was provided as well as the STI Metrics Report.

### **Committee observation**

Acquiring systems without proper documentations may causes challenge with acceptability and ownership and difficulties in maintenance and support to the systems.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management reviews its system development practices and develops a comprehensive policy and procedures on information system development to mitigate risks arising from software development, including provisions for change management, documentation of system modules.***

#### **3.3.9.3 Lack of Systems Enrolment**

The Audit Commission reported that EASTECO contracted Africa Research and Impact Network (ARIN) for developing East Africa regional STI indicators and web-based electronic database in June 2021 for three months and Ajuna Newton Brian for designing and developing East Africa science technology and innovation database in January 2022. The two systems have already been completed by respective vendors but they have not been rolled because partner states have not been trained.

Management reported that the rollout of East Africa regional STI indicators and web-based electronic database is in the final stage, the data collection tool is live, improvement of features for web-based electronic database have been completed.

### **Committee observation**

As rollout continued to be delayed it may raise the need to enhance systems since changes to policies, protocols and acts occur, this will lead to additional development cost.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management fast-tracks the rollout of East Africa regional STI indicators, a web-based electronic database, and the East Africa science, technology, and innovation database to ensure value for money and improved operational efficiency.***

#### **3.3.9.4 Contingency Planning**

The Audit Commission reported that the EASTECO contingency plans showed the following weaknesses:

##### **3.3.9.4.1 Lack of Business Continuity and Disaster Recovery**

The EASTECO does not have business continuity plan and disaster recovery plan. Data backup for Infor Sun System was not done continuously. In addition, there was no restoration test conducted to validate that the data can be restored in case of a disaster.

Management committed to update the existing business continuity plan, disaster recovering plan and backup procedures and ensure that data backups are done on regular basis.

### **Committee Observations**

- i. The EASTECO is at high risk of losing all data in case of malware attack or any disaster to the client machine hosting Sun System.
- ii. In case of an emergency or lose of information EASTECO management may not be able to recovery data.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management establishes documented business continuity and disaster recovery plans, along with backup procedures.***

### **3.3.10 PHYSICAL ACCESS CONTROL AND ENVIRONMENTAL SECURITY**

#### **3.3.10.1 Inadequate Physical and Environment Controls at the Server Room**

The Audit Commission reported that there is no fire protection and suppression system installed in the server room at EASTECO. These systems are designed to automatically activate immediately after detection of high heat, typically generated by fire. Like smoke detectors, the system should produce an audible alarm when activated and be linked to a central guard station that is regularly monitored. The system should also be inspected and tested annually. The Audit Commission further established that a Fire extinguisher brought for server room protection were not tested by the Rwanda fire brigade and expired date; No register for people visiting the premises; No standby generator and Window of the server was not protected with iron bar.

Management reported that the door Lock system with enhanced security capabilities was installed and the access to the Server room is controlled. Management further clarified that fire extinguisher was installed at the entrance of server room and a fire suppression system and a bigger UPS will also be installed.

#### **Committee Observations**

- i. Having the IT equipment without physical controls in place, may allow unauthorized users to access the premises or intruders can access the facility.
- ii. The absence of standby generator may cause the discontinuity of the services and lead to malfunctioning of equipment.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EASTECO management installs a UPS in the data center, connected to a standby generator to sustain continuity, and further implements fire suppression systems while ensuring that fire extinguishers are strategically placed throughout the facility.***

#### **3.3.10.2 Inadequate Computer Network Security Controls**

The audit commission noted that the computer network at EASTECO is not segmented or configured virtual LANs (VLANs) and Users are authenticated using one shared key which can easily be share to unauthorized or malicious individuals. The management reported that an advanced new Firewall (Sophos Firewall XGS 116W) has been installed and configured.

Management committed to implement virtual local area networks and procure an advanced wireless system with enhanced features to control authentication and accountability.

#### **Committee Observation**

Lack of separation of data center and the office local area network from visitors network (WIFI); may lead to risk of malware propagating to the server hosting critical system leading to data loss. In addition, when the network is not segment or separated can lead unauthorized access.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to direct the***

***EASTECO management to ensure that Office local area network is segregated from guest or Wi-Fi network and the institution has network perimeter devices in place especially firewall with updated patches and configured well to safeguard critical data of the institution.***

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

#### **3.4.1 REVIEW OF BUDGET PERFORMANCE**

##### **3.4.1.1 Budget underperformance in revenue**

The Audit Commission reported that the Lake Victoria Basin Commission budgeted for **USD 9,933,460** comprising **USD 4, 567,717** and **USD 5,365,743** from Partner States contributions and Development Partners respectively but actually realised **USD 5,733,946** resulting into a shortfall of **USD 4,199,514**. However, the Audit Commission noted that out of the total approved budget, **USD 1,204,103** was revenue from partner states while **USD3,086,412** was Grants/Donations from Development Partners.

**Table 3.4.1: Budget underperformance in revenue**

<b>Sources of revenue</b>	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>	<b>% Performance</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	
<b>Revenue from Partner States</b>	3,208,786	2,004,683	1,204,103	63%
<b>Grants/Donations from Development Partners</b>	5,365,743	2,279,331	3,086,412	43%
<b>Contribution from partners States (EAC Reserve Fund)</b>	1,358,931	1,358,931	0	
<b>Miscellaneous Income</b>	0	91,001	-91,001	
<b>TOTAL REVENUE</b>	<b>9,933,460</b>	<b>5,733,946</b>	<b>4,199,514</b>	<b>58%</b>

The LVBC Management reported that For FY 2023/2024, the Commission's appropriated Budget was **USD 10,974,157** and received **USD 6,870,045** being **63%** on aggregate as at 30th June 2024. While FY 2024/2025, LVBC appropriated **USD 10,118,492** but received **USD 4,452,432** translating to **44%** of its expected contributions on aggregate with the partner states main contributions dropping from 76% to 61%. The matter of the arrears and current contributions were discussed in the following council meetings: The 53rd extraordinary council (**EACEXCM53/Decision7**); 45th Ordinary Council of Ministers (**Directive EAC/CM/45 Decision 53**); 46th Ordinary Council of Ministers (**Directive EAC/CM/46 Decision 18**); 47th Ordinary Council of Ministers (**EAC/CM 47/ Decision 17**) and reiterated its directive (**EAC/CM44/Directive 56**) to "Partner States with arrears to submit an arrears payment plan in addition to payment of contribution due for a running Financial Year" and disburse accordingly (**EAC/CM 47 / Directive 21**).

#### **Committee Observations**

- i.** In the circumstances, the intended objectives were not attained as envisaged. As such, the Community is not benefiting from planned activities not executed and consequently denying the Commission to fulfill its mandate.
- ii.** Owing to non-implementation and partial execution of planned activities, staff were underutilised as they could not perform to the optimum compared to their respective job descriptions.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure LVBC Management establishes actionable measures compelling Partner States to remit their contributions promptly, thereby enabling smooth execution of planned activities and achievement of intended objectives.***

#### **3.4.1.2 Failure to budget for revenue from other activities/miscellaneous income**

The Audit commission reported that LVBC failed to budget for revenue from disposal of its various items despite the fact that the Board of Survey report had indicated the existence of goods due for disposal in the financial year under audit. Such revenue of **USD 91,001** has been realised during the year under review.

LVBC Management reported that the Commission continues to budget for miscellaneous income through supplementary budgets as presented to council **EAC/CM47 /Decision 22** and **EAC /CM47/Decision 23** approved by council and appropriated by EALA.

### **Committee Observation**

Failure to budget for such revenue may lead to loss of revenue through non-performance of the revenue sources.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management consistently budgets for all revenue and expenditure of the entity.***

### **3.4.2 REVIEW OF REVENUE**

#### **3.4.2.1 Continued late remittance of contributions from Partner States, including outstanding contributions since previous years**

The Audit Commission noted that **USD 5,730,996** (including arrears) was expected to have been collected. However, the Consolidated Financial statements shows that the Partner States Contributions stood at **USD 2,004,683** (contributions received) while the accumulated accounts receivable from the Partner States amounted to **USD 1,508,794** as at 30 June 2023. This was after the write off **USD 1,273,131** of arrears owed by the Republic of South Sudan to the East African Community as at 30 June 2022.

Management reported that **75.75 %** of funds due from Partner states for the FY 2023 /2024 were received as of June 2024. LVBC received 61% of the total budget for partner states funded activities for the financial year 2024/2025 a decrease of 15% from the financial year 2023/2024. Total outstanding contributions as at 30<sup>th</sup> June 2025 was **USD 3,511,911** with **USD 2,151,231** being arrears of previous financial years. LVBC received **USD 1,450,043** only **48%** of its contributions due by 31st December 2024. Management further reported that the EAC Secretariat management issues constant reminders to Partner States by way of Debit Notes at the beginning of the financial year and regular reports on the Status of Partner States contributions to a given financial year's budget to every meeting of the Council of Ministers.

### **Committee Observation**

Delayed contribution by the Partner States could fail the implementation of some planned and budgeted activities, hence negatively impacting on achievement of the LVBC objectives.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management liaises with the EAC Secretariat to follow up with Partner States for the timely remittance of contributions.***

### **3.4.3 REVIEW OF EXPENDITURE**

#### **3.4.3.1 Budget underperformance leading to failure to implement some of planned activities**

The Audit Commission reported that a review of LVBC planned expenditure vs actual revealed that actual expenditure for the year under review was **USD 6,017,628** compared to total approved budget of **USD 9,933,459**. This resulted in a difference of **USD 3,915,832** representing under performance of 61% as shown in the Table below.

**Table 3.4.2: Budget underperformance**

<b>Description</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Utilization %</b>
	USD	USD	USD	
<b>Personnel Emoluments (PS)</b>	1,940,357	1,551,323	389,034	80%
<b>Administrative Expenses (PS)</b>	2,627,360	2,240,174	387,186	86%
<b>Integrated Water Resource Management</b>	1,361,134	438,996	922,138	32%
<b>Maritime Communication &amp; Transport Project</b>	457,249	81,196	376,054	18%
<b>Adapting to Climate Change (ACC)</b>	2,129,248	1,440,251	688,997	69%
<b>USAID -Prepaid</b>	614,624	16,321	598,303	3%
<b>International Institute for Applied Systems Analysis</b>	341,907	73,473	268,434	21%
<b>Nile Cooperation for climate and Resilient (NCCR)</b>	461,580	175,894	285,686	38%
<b>TOTAL EXPENDITURE</b>	<b>9,933,459</b>	<b>6,017,628</b>	<b>3,915,832</b>	<b>61%</b>

As a result, the Audit Commission noted that, on a sample basis, that 25 planned activities to be implemented during the year 2022/2023 were not implemented.

Management reported an improvement in the performance of its planned activities. For instance; The FY 2023/2024 Actual Expenditure was **USD 7,231,426** out of an approved budget of **USD10, 974,158**, an increase of 20%. While for FY 2024/2025, Actual Expenditure was **USD 6,172,043** against an approved budget of **10,118,492**, a decrease of 15%. Management further reported that; (1) MLVMCT Project construction of the Maritime Rescue and Coordination Center is currently at 98%; (2) The NCCR Project supported the development of the EAC Water Quality Management Policy Guidelines and the Water Quality management Strategy and Action Plan that were adopted for implementation by the 23rd Sectoral council. Overall project expenditure is **USD 749,988** translating to 99.9% of the total project grant utilization and the project ends in November 2025; and (3) The acquisition of the physical WIS server was finalised.

#### **Committee observation**

There is a likelihood of missing key activities, which may ultimately prevent the Commission

from meeting its objectives.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to direct the LVBC management to plan for activities that are achievable and within available Budget.***

#### 3.4.4 REVIEW OF ACCOUNTS RECEIVABLE

##### 3.4.4.1 Arrears of contributions from the Partner States

The Audit Commission reported that a review of the accounts receivable as at 30 June 2023 revealed that contributions from the Partner States of **USD 1,508,894** were outstanding. The decrease of **40%** from the previous financial year that amounted to **USD 2,522,209** was mainly due to the fact that the Council approved the write off **USD 1,273,131** of arrears owed by the Republic of South Sudan to the EAC as at 30 June, 2022. LVBC has continually sent Debt notes to the Partner States as reminder to fulfill their part of the Memorandum of Understanding. This has however not yielded any positive results as evidenced by the continued accumulation of arrears.

**Table 3.4.3: Arrears of contributions from the Partner States**

	Accounts receivable	2022-2023	2021-2022
	Description	USD	USD
<b>1</b>	Burundi	576,728	453,532
<b>2</b>	Kenya	1	1
<b>3</b>	Rwanda	90	60
<b>4</b>	Tanzania	206	205
<b>5</b>	Uganda	15,074	0
<b>6</b>	Republic of South Sudan	458,398	2,068,410
<b>7</b>	Democratic Republic of Congo	458,398	0
Total		<b>1,508,895</b>	<b>2,522,209</b>

Management informed the Committee that the total LVBC contributions outstanding as at 30th June 2024 was **USD 2,273,883** comprising arrears of **USD 1,493,524** and **USD 780,358** contributions due for the current year. The Total outstanding contributions as at 30<sup>th</sup> June 2025 was **USD 3,511,912** comprising arrears of **USD 2,151,231** and **USD 1,360,681** current year contributions.

### Committee observation

Arrears of Partner States' contributions may affect the implementation of planned activities and result in delay of the attainment of set objectives.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management continuously liaises with the EAC Secretariat so that the matter is brought to the attention of Partner States, enabling them to fulfill their obligations on time.***

##### 3.4.4.2 Unpermitted internal borrowings between LVBC and the Projects

The Audit Commission reported that a review of the LVBC account receivables for the year ended 30<sup>th</sup> June 2023 revealed an outstanding amount receivable of **USD 64,164** which were a result of inter-entities borrowing between the LVBC and the projects which is prohibited

and had not been granted by the donors. This practice is contrary to Section 14.2 (g) of EAC Financial Procedures Manual 2013 which prohibits borrowing of funds between projects unless with written permission from the Development Partners and only in such circumstances that failure to implement the activity would result in EAC’s failure in attaining its planned aims and objectives.

**Table 3.4.4: Unpermitted internal borrowings**

No	Description	Balance as at 30 June 2023
		<b>USD</b>
<b>1</b>	LVMARITIME COMM PROJECT – AFDB	29,759
<b>2</b>	IISA	33,321
<b>3</b>	NCCR	1,084
	<b>Total</b>	<b>64,164</b>

When the Committee interacted with the LVBC management, it reported that at its commencement, the Maritime Project faced many funding challenges, and yet many activities needed to be undertaken to unlock some of those challenges. The Management further clarified that the Multinational Lake Victoria Maritime Communication and Transport Project (MLVMCT) refunded the funds borrowed to the secretariat on 30th July 2025. While for the International Institute for Applied Systems Analysis (IISA), Project funds were reimbursed to the secretariat on 3rd October 2024. Management is currently seeking prior authorisation from development partners for internal borrowings.

**Committee observation**

The funds may be diverted and this can lead to failure to implement planned activities. This may lead to non-attainment of the set objectives.

**Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management subjects any borrowing of funds between projects to written permission from the Development Partners, and permits such borrowing only in circumstances where failure to implement the activity would result in the EAC’s inability to attain its planned aims and objectives.*

**3.4.4.3 Long outstanding VAT arrears of USD 278,939**

The Audit Commission reported that as of 30<sup>th</sup> June 2023, LBVC still had an outstanding VAT Receivable of **USD 278,939**. The analysis further indicated that **USD 3,112 representing 1%** was refunded during the year under review while **USD 278,939 representing 99%** was outstanding for more than 12 months.

**Table 3.4.5: Long outstanding VAT arrears**

Period	Financial year ended 30 June 2023		Financial year ended 30 June 2022	
	Amount (USD)	%	Amount (USD)	%
<b>Within 12 months</b>	(3,112)	1%	2,944	1%
<b>More than 12 months</b>	282,048	99%	279,104	99%
<b>Total</b>	<b>278,939</b>		<b>282,048</b>	

Management reported that LVBC currently pays for goods and Services without taxes and issues suppliers with tax exemption certificates and LVBC Received exemptions worth **USD 130,090, USD 484,026** and **USD 145,020** for FYs 2022/2023; 2023/2024 and 2024/2025 respectively. This receivable is long outstanding and was accumulated over the years between 2009 to June 2018 before the automation of claims for tax refunds through the Integrated Protocol Management Information System of the Ministry of Foreign Affairs and Diaspora. LVBC is working with the Republic of Kenya through the Ministry of Foreign affairs and the Ministry of EAC for a special Ex-Gratia refund of the amount by The National Treasury Cabinet Secretary.

#### **Committee Observation**

The longer the VAT balance stays unrefunded, the more likely it will be unrecoverable in the long run.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management liaises with the Kenya Revenue Authority (KRA) to expedite the recovery of the outstanding Value Added Tax.***

#### **3.4.4.4 Doubtful recovery of advance payment made to Tareef Enterprises Limited**

The Audit Commission reported that on 14<sup>th</sup> December 2020, LVBC signed a contract worth **USD 1,116,558.90** with Tareef Enterprises Ltd. for the construction of an office block for LVBC headquarters-phase 1. The initial contract execution period was 52 weeks. The contractor was given two extensions, the first one ending by 11<sup>th</sup> May 2022 and the second one ending by 31<sup>st</sup> August 2022. The contract was terminated by LVBC on 14 September, 2022. However, it was noted that on 12<sup>th</sup> January, 2021 LVBC made payment of an advance of **USD 111,656** to Tareef Enterprises Limited and up to 30<sup>th</sup> June 2023 an amount of **USD 73,996.56** was recovered from the contractor since the start of the contract implementation. The amount of **USD 37,659.44** was not yet recovered up to the time of audit in November 2023. LVBC has since filed a court case in this regard. The Audit Commission noted that the remaining amount of paid advance could not be recovered because the advance guarantee No LGOKE2001000735C issued by First Community Bank expired on 16 December 2021.

The LVBC management reported that it was still pursuing the Dispute Adjudication board process and pleadings were complete and awaiting award. Management further clarified that the Phase I contractor has not disputed refunding the same before the Dispute Board and the commission has retained 10% of the executed work as per contract which can be used to recover the advanced amount.

#### **Committee Observation**

Failure to recover the advance paid may result into loss of funds that would be used to finance the new contract. Consequently, LVBC is exposed to the risk of shortfall of funds for implementing the remaining project activities.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management follows up to guarantee recovery of the advance payment.***

### 3.4.5 REVIEW OF ACCOUNTS PAYABLE

#### 3.4.5.1 Failure to pay mission allowances to the staff before their departure for official missions

The Audit Commission reported the LVBC financial statements for the year ended 30<sup>th</sup> June 2023 included account payables of **USD 18,572** of staff imprest as a result of failure to pay the mission allowances to the staff before their departure. These allowances were received by the staff after completion of their missions. This resulted in delays ranging between **33** and **175** days in payments of mission allowances counted from the start of the mission, contrary to Section 6.2 (b) of EAC Financial Procedures Manual 2013.

When the Committee interacted with the Management of LVBC, it reported that the scenario was in relation to MLVMCT funded activities and LVBC liaised with AfDB & the Partner States to obtain a no objection and cleared the overdue payments to staff in August 2024. LVBC is currently complying with Section 6.2 (b) of the EAC Financial Procedures Manual 2013.

#### Committee Observation

Delayed payment of mission allowances may hamper staff welfare and the quality of service delivered by the staff.

#### Committee Recommendation

*The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management pays all staff mission allowances to the intended beneficiaries before departure for fieldwork, in accordance with the EAC Financial Procedures Manual (2013).*

### 3.4.6 REVIEW OF PROPERTY, PLANT, AND EQUIPMENT AND ASSETS MANAGEMENT

#### 3.4.6.1 Failure to repair or dispose of old and non-operational motor vehicles

The Audit Commission reported that 2 vehicles have remained grounded for a long period of time without providing services and just like in the previous audits, it had recommended to LVBC Management to either repair these vehicles or dispose them off.

**Table 3.4.6: Old and non-operational Motor vehicles**

No	Asset Code	Registration Number	Make/Model	Color	Year of Man	Issue
1	LVBC1143	CD1EAC20	Toyota Landcruiser Prado	B/Red	2009	Frequent mechanical faults resulting in high cost of maintenance
2	LVBC0805	CD1EAC30	Toyota KDJ150R	Dark Steel	2012	Engine overhaul done twice and requires a third one

Management reported to the Committee that vehicle No. CD1EAC20 was disposed off in July 2024 while vehicle No. CD 1EAC030 was disposed off in September 2024 and Proceeds from these disposals and other fixed assets disposals were utilised to procure a new Vehicle No. CD1EAC50 for the LVBC Fleet.

#### Committee Observation

Keeping the vehicles grounded for a long period of time will result in further deterioration of the vehicles and exposes them to vandalism.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management initiates asset disposal procedures for vehicles that have remained grounded at the LVBC yard for a long period, and that any vehicles requiring repair or servicing are promptly repaired to forestall further deterioration.***

### **3.4.7 REVIEW OF CONTRACT MANAGEMENT**

#### **3.4.7.1 Outstanding issues in construction of LVBC headquarters**

The Audit Commission reported that on 14 December 2020, LVBC signed a contract with Tareef Enterprises Ltd for construction of office block for LVBC Headquarters-phase I at **USD 1,116,558** which was terminated by LVBC on 14 September 2022. According to LVBC management, the termination was due to failure to fulfill the contractual obligations by the contractor. The Audit Commission noted the following irregularities in management of this Contract:

##### **i. Failure to conduct the final account**

The Contract was terminated on 14<sup>th</sup> September 2022. However, the final account was not yet concluded by the time of the audit in December 2023. Management decided to include in Phase 2 all the outstanding works of Phase 1.

##### **ii. Unsettled dispute between LVBC and Tareef Enterprises Ltd**

The case referred to arbitration by Tareef Enterprises Ltd for alleged unlawful termination of the contract and unpaid contractual sums was still pending by the time of audit in December 2023.

##### **iii. Loss arising from items removed by the new contractor**

Some of the parts constructed by the previous contractor and paid for by the Commission were/are being removed by the new contractor. These include, among others, roof materials, wall plaster, doors and windows.

Management informed the Committee that construction works for Phase II commenced in August 2023 and were completed on 5<sup>th</sup> September 2025. The building is expected to be inaugurated on 14<sup>th</sup> November 2025 by the Chair Summit. The Matter of the Phase I construction is before the Dispute Adjudication Board and management was still pursuing the process. Pleadings were complete and award is awaited. The issue of the final accounts calculations will be guided on the determinations and awards of the Dispute adjudication board.

#### **Committee Observations**

- i. In the absence of the final account, the value of work done by the previous contractor would not be established and agreed to payments made by LVBC. As a consequence, any payment without corresponding work executed could not be recovered.
- ii. The Commission is exposed to the risk of incurring unnecessary expenditure arising from the case under arbitration.
- iii. The removal of parts constructed by the previous contractor and paid for by the Commission constitutes loss to LVBC.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management liaises with the Phase I contractor and the panel of arbitrators***

***to fast-track the arbitration process, and takes action to recover any amounts paid for work not properly executed by the previous contractor.***

### **3.4.8 REVIEW OF IMPLEMENTATION OF PROJECTS UNDER LVBC**

#### **3.4.8.1 Under absorption of Project funds in form of donations and grants**

The Audit Commission noted that funding agreements were signed between the funding partners and LVBC specifying when the projects were to start and end and the projected project budgets. The agreements have been renewed since inception including for the year under review. The Audit Commission noted that LVBC had delays in project implementation mainly caused by factors that are both internal and external to the Commission. This led to under absorption of project funds.

**Table 3.4.7: Under absorption of Project funds**

	Project Description	2021-2022 Deferred Income	2022-2023 Additions	2022-2023 Total available for the year	2022-2023 Expenditure	2022- 2023 un spent balance
		<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>1</b>	AfDB - Maritime Communications	-19,032	70,000	50,968	81,195	-19,032
<b>2</b>	USAID MARA Project	39,940	-	39,940	16,321	39,940
<b>4</b>	KFW/IWRM AGENCY ACCOUNT	53,772	652,552	706,324	492,195	53,772
<b>5</b>	UNEP Adaptation To Climate Change (ACC) Project	1,085,185	618,619.17	1,703,805	1,440,252	1,085,185
<b>6</b>	LVBC-IISA Project	11,993	20,594	32,587	73,473	11,993
<b>7</b>	LVBC -NCCR deferred account	77,013	401,495	478,508	175,894	77,013
	<b>Total</b>	<b>1,248,871</b>	<b>1,763,259</b>	<b>3,012,131</b>	<b>2,279,330</b>	<b>732,800</b>

C LVBC Management reported that: (1) For MLVMCT, Management in collaboration with AfDB and Partner States mitigated the challenges that were hindering absorption of project funds; (2) The construction of the Maritime Rescue and Coordination Center commenced and progressed well and was completed; (3) The challenges under the Adaptation to Climate change under one partner state were resolved after the no cost extension, all project activities were implemented and the overall project expenditure is **USD 4.6 Million** translating to **99.6%** of the total Project Grant utilisation at the close of the project in August 2023; (4) The NCCR Project supported the development of the EAC Water Quality Management Policy Guidelines and the Water Quality management Strategy and Action Plan that were adopted for implementation by the 23rd Sectoral council. Overall project expenditure is **USD 749,988** translating to **99.9%** of the total project grant utilisation and the project ends in November 2025; and (4) IWRM Project, the acquisition of the physical WIS server was done.

#### **Committee Observations**

- i. The Commission stands a risk of losing/returning funds from development partners mostly the conditional grants and restricted contributions.
- ii. The under absorption may potentially lead to reduction of future donor-funding,

thereby undermining the potential partnerships and service delivery to citizens within the community.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management implements planned project activities in a timely manner.***

#### 3.4.8.2 Gaps noted in implementation of Multinational Lake Victoria Maritime Communications and Transport (MLVMCT) Project

The Audit Commission reported that The LVBC coordinates implementation of the MLVMCT Project that aims at improving maritime transport, security and safety of navigation on Lake Victoria. The project was approved by the African Development Bank (AfDB) Directors in October 2016 and launched on 25 May 2018 with the project closing date as 30 April 2021. For the purpose of financing this project, the loan agreements were signed between the three countries and AfDB as follows:

**Table 3.4.8: Project Loan Agreements with AfDB**

Country	Date of financing agreement	Loan Amount	Planned completion date of the project
		<b>USD</b>	
Uganda	19-Jan-18	14,840,000	30-Apr-21
Tanzania	24-Jul-17	5,480,000	
Kenya	09-Jan-17	5,480,000	

Each Partner State; Tanzania, Uganda and Kenya signed a subsidiary agreement with LVBC to make available to LVBC an amount not exceeding the equivalent of **UA 2,856,826** for jointly implemented regional activities of the project as follows:

**Table 3.4.9: Loan Agreements with LVBC**

Country	Date of subsidiary agreement	Amount of subsidy	of	Amount of subsidy (Currency Equivalents as of April 2016 ,UA1=USD 1.41)
		<b>UA</b>		<b>USD</b>
<b>Tanzania</b>	29-Nov-17	2,856,826		4,028,125
<b>Uganda</b>	12-Mar-18	2,856,826		4,028,125
<b>Kenya</b>	02-Feb-18	2,856,826		4,028,125

The Audit Commission further reported that the MLVMCT Project was to be implemented over 4 years by the three countries: Uganda, Kenya and Tanzania from April 2017 to April 2021 but the Mid-Term Review (MTR) report of July 2021 undertaken for the project of MLVMCT by the Bank revealed that, Kenya pulled out from joint regional activities to undertake the elements of project implemented nationally. The regional activities were therefore revised to **USD 2,454,000** and **USD 2,130,000** and a no cost extension was issued up to August 2024. An additional buffer period of four (4) months, was provided to accommodate unforeseen delays. As a result, the Project will be implemented up to 31 December 2024. Review of the Project implementation revealed the following gaps:

#### **Low disbursement rate of funds by Partner States**

The Audit Commission noted that the cumulative funds disbursed for the implementation of regional activities of LVBC by the time of the audit were **USD 128,033** and **USD 130,000**

of funds disbursed by the United Republic of Tanzania and the Republic of Uganda respectively. Cumulative disbursements stood at **5.6%** by the time of audit in November 2023.

**Table 3.4.10: Disbursement rates of funds by partner states**

Country	Revised cost of regional activities as per AfDB supervision mission	Cumulative disbursed funds	Disbursement rate to LVBC for regional activities
	USD	USD	%
Uganda	2,454,000	130,000	5.3%
Tanzania	2,130,000	128,033	6%
Kenya	0	0	
Total	<b>4,584,000</b>	<b>258,033</b>	<b>5.6%</b>

The Audit commission observed that, LVBC did not receive any funds from the partner states in the period under review.

#### **Delay to recruit short term procurement assistant**

The commission further noted that the MLVMCT report of the 4<sup>th</sup> ordinary meeting of the regional policy steering committee held between 30 January 2023 and 3 February 2023 granted permission for the recruitment of a short term procurement assistant. However, the Audit Commission noted that the recruitment had not been done by the time of audit in November 2023.

Management reported that Project implementation unit was in place made up of: Project Coordinator; Clerk of Works; and Procurement Assistant. The works of the construction of the Maritime rescue and coordination center commenced in December 2023. The LVBC received months no cost extension from AfDB for the Project to 30th September 2025. Disbursement to region is of two forms, one to special account and other direct to contractor or supplier of goods and services. The LVBC received **USD 116,405** and **USD 126,480** from the participating partner states in the special account in the Financial years 2023/2024 and 2024/2025 respectively. The AfDB disbursed **USD 545,353** and **USD 981,590** as direct payments in Financial years 2023/2024 and 2024/2025 respectively. Works of the construction of the Maritime rescue and coordination center commenced in December 2023 and progressed well and was completed in September and the LVBC was planning the inauguration of the center.

#### **Committee Observation**

Failure to disburse funds as planned may negatively affect the activities of the project and the expected targets cannot be achieved.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management engages relevant stakeholders, including Partner States, through regular regional meetings and consultations to devise appropriate strategies for addressing challenges related to project implementation.***

### **3.4.9 REVIEW OF HUMAN RESOURCE MANAGEMENT**

### 3.4.9.1 Short term contracts renewed for more than 3 years

Contrary to Regulation 2(c) of the EAC staff rules and regulations, 2006 which requires that the period of temporary appointments shall not exceed three (3) months, the Audit Commission noted that LVBC recruited employees for the period of three (3) months. However, LVBC renewed their contracts severally to a period exceeding 3 years. The Audit Commission further noted that at the time of the audit, the concerned staff members were still employed on a short-term basis, yet these positions are on LVBC Organizational Structure.

**Table 3.4.11: Long periods of Short term Contracts**

S/N	Position	First employment date	The last Renew date	Period of employment
1	Security Assistant	01/06/2018	01/07/2023	5.6 years
2	Accounts Assistant	01/03/2020	01/10/2023	3.9 years

When the Committee interacted with LVBC Management, it reported that the Commission faced serious staffing challenges that were negatively affecting its performance especially in fulfilling key controls. To address this, the Commission resorted to the use of short-term staff while awaiting the outcome of the appeal made during PS'/Undersecretary retreat for changes in staffing required to address the Commission's needs. Although the 45th Council decided to lift the caveat on recruitment for vacant positions in the community contained in **EAC/CM44/Directive 64 (EAC/CM 45/Decision 61)**, it directed the secretariat to stay all recruitments in Organs and Institutions until the finance situation of the community improves (**EAC/CM 45/Directive 87**).

#### **Committee Observation**

Employing temporary staff may have a negative impact on staff performance.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management recruits staff whose positions are provided for in the organizational structure on long-term contracts once the ban is lifted, in order to enhance their morale and performance.***

### 3.4.9.2 Lack of internal auditor employed on permanent basis or with long-term contract

The audit Commission noted that the principal Internal Auditor retired at the end of November 2022 but has since not been replaced. To bridge the gap, LVBC hired an internal auditor on contractual basis. The staff signed the contract on 1 March 2021 for 4 months up to 30 June 2021. From that period up to the time of audit in November 2023, the contract has been renewed 10 times. At the time of the audit in November 2023, the contract had been renewed for 3 months.

Management reported that a substantive principal Internal auditor was recruited and appointed during the 45th ordinary council of ministers (**EAC/CM45/Decision 56**).

#### **Committee Observation**

Lack of Internal Auditor employed on long-term contract may compromise the independence and the performance of the internal audit function.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that***

***LVBC Management takes the necessary steps to fill the staffing gap in the internal audit unit.***

### **3.4.10 REVIEW OF GOVERNING SECTORAL COUNCIL FUNCTIONING**

#### **3.4.10.1. Failure to meet by Governing Sectoral Council**

Contrary to Article 35 (a, b, c, d, & e) of the EAC governance charter, the Audit Commission noted that members of the Governing Sectoral Council did not meet during the whole financial year 2022/2023.

When the Committee interacted with LVBC Management, it reported that the Sectoral Council of ministers responsible for Lake Victoria Basin was held from 5th to 9th February 2024. LVBC continues to hold governing sectoral council meetings for policy guidance. The LVBC Sectoral Council of Ministers meetings were convened in the FY2023/24 and FY2024/25 where strategic direction was provided for the LVBC projects and programs. The 22nd LVBC SECOM was held on 5th to 9th February 2024. The 23rd LVBC SECOM was held on 12th to 16th May 2025. The 1st Extraordinary Sectoral Council of Minister was held on 6th to 8th October 2025.

#### **Committee observation**

Lack of Governing Sectoral Council meetings deprives LVBC of the strategic direction that would be provided by the Council members.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management facilitates members of the Governing Sectoral Council to meet at least on a quarterly basis.***

### **3.4.11 REVIEW OF INTERNAL AUDIT EFFECTIVENESS**

#### **3.4.11.1 Planned audit activities not implemented**

Contrary to Section VIII of the EAC Audit charter, the Audit Commission noted that only **40%** of LVBC planned internal audit activities were performed during the year under review.

**Table 3.4.12: Performance of Planned audit activities**

<b>Quarter</b>	<b>Planned audit activities</b>	<b>Audit activities performed</b>	<b>Audit assignments not performed</b>	<b>Audit assignments performed (%)</b>
	<b>A</b>	<b>B</b>	<b>C=A-B</b>	<b>B/A*100</b>
	24	10	14	40%

Management reported that LVBC has a substantive principal Internal auditor who was appointed during 45th ordinary council of ministers ***EAC/CM45/Decision 56***. The current performance stands at **92%** of planned activities.

#### **Committee Observation**

In light of the above underperformance, the internal audit unit's role of providing assurance to management on effectiveness of internal control and risk management is not effective.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management implements planned audit activities and documents any exceptions for future reference.***

### **3.4.12 INFORMATION SYSTEMS (IS) AUDIT**

#### **3.4.12.1 REVIEW OF IT GOVERNANCE**

##### **3.4.12.1.1 Gaps in governance structure**

The Audit Commission report on the ICT governance structure of LVBC revealed lack of an approved IT Staff Structure, despite the ever-growing digitalization or adoption of e-governance. A further review of the LVBC Organizational structure showed that the Information technology officer reports to the Deputy Executive Secretary. An enquiry made on to the matter revealed that the office of the Deputy Executive Secretary had been abolished by the EAC interim committee. LVBC management, however reported that a circular directing the Information Technology unit to report directly to the Office of the Executive Secretary, had been issued. However, the Institution's Organization structure had not been amended to show the changes.

When the Committee interacted with LVBC Management, it reported that following the outcome of the PS'/Undersecretaries retreat on the staffing appeal by all EAC Organs & institutions, the Commission in the interim through the office of Executive Secretary issued a circular (Structure) directing the Information Technology officer to report directly to the Office of the Executive Secretary. A draft organization structure was prepared pending review & adoption.

### **Committee observation**

Without a clear common view of the organization structure, there might not be proper assignment of responsibilities for implementation of the finer details of the institution's strategies.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management establishes an ICT structure to achieve the objectives and goals pertaining to ICT, and revises, approves, and communicates the organizational structure to staff and stakeholders.***

### **3.4.13 REVIEW OF IT GENERAL CONTROLS**

The Audit Commission noted the following weaknesses in IT general controls:

#### **3.4.13.1 Inadequate contingency planning**

The LVBC did not have in place an approved Business Continuity and Disaster Recovery Plans. Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) are essential and important documents that can be referred to when addressing major and minor disasters that may impact business continuity.

Management reported that Draft BCP was developed and aligned to industry best practices and organizational needs which outline critical business functions, risk mitigation strategies, continuity procedures, and recovery timelines in the event of disruptions. Complementary Disaster recovery Plans were equally developed to supplement the BCP plans with specific focus on restoration of IT systems and infrastructure. MRC is spearheading and planning a roll out strategy to operationalize that including formal approval, User Sensitization and awareness creation.

### **Committee Observation**

LVBC may not be in a position to recover its critical business operations on time in case of a major incident or disruption.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management secures approval and implements the developed business continuity and disaster recovery plan.***

### **3.4.13.2 Inadequacy of physical security and environmental controls**

The Audit Commission reported that the server room has glass windows that has not been reinforced with grills to prevent physical access.

Management reported that the completed LVBC HQ incorporates the recommended tenets of physical controls as part of its design. Management addressed this through completion of the HQ with all security and environmental protections fully integrated meeting ANSI/TIA- 942 Data center standards at the new HQ relocation plans to the new HQ are underway .

### **Committee observation**

The glass windows can easily be broken into by intruders hence exposing the Institution's information to unauthorized access.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management reinforces the glass windows of the server room to safeguard the Institution's information against unauthorized access***

### **3.4.14 REVIEW OF APPLICATION CONTROLS**

The Audit Commission noted the following weaknesses in application controls:

#### **3.4.14.1 Inspiro People System**

##### **3.4.14.1.1 Manual payroll approval process**

The audit commission noted that payrolls are prepared and exported in PDF file and printed for review and approval purposes, off the system. Even though printed copies are needed for review and approval as required by the EAC Finance manual and procedures 2013, the management should ensure that approvals are done in the system first and then printed for signature as per the Institutions financial requirements.

Management reported that the payroll process is undertaken in the system and a PDF file is generated for endorsement and filing. The system entries and the pdf export is by design to preclude manipulation off the system.

### **Committee observation**

The manual part of the payroll process may expose LVBC to deceitful acts and eliminate audit trail and accountability in the system.

### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management processes payroll through the system in order to maintain proper audit trails.***

#### **3.4.14.1.2 Lack of input validation**

The audit commission reported that the LVBC grades as per the approved institution's salary structure had been automated in the system. However, salaries payable to those grades had not been automated & linked to the grades, hence requires manual intervention.

Management reported that Configuration was done in the System that creates links Job Grades and their respective Salary Scales.

#### **Committee observation**

Lack of inbuilt controls in the system may lead to errors, irregular or unauthorized changes without approval and trace resulting to fraud.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management customizes the system to automate salary payments for the various grades in the institution, thereby reducing the need for manual interventions.***

#### **3.4.14.1.3 Inaccuracy of leave days carried forward**

The audit commission noted incorrect computation of opening and closing annual leave balances for some of the staff. A comparison was done on the closing balance as at 30 June 2023 and Opening Balances as at 1 July 2023.

Management reported that the system was reconfigured to address the gaps in annual leave balances and accruals.

#### **Committee observation**

LVBC may not be in compliance with regulation (71) of EAC Human resource policy, staff rules and regulations on leave management.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management configures the Inspiro people management system to accurately capture leave balances.***

#### **3.4.14.1.4 Inappropriate capture of allowances**

The Audit commission report revealed that one (1) officer of personal number 0088 had been earning a responsibility allowance for twelve (12) months, totaling USD five hundred and sixty-four (564). The report further showed that the allowance earned was extraneous allowance. This therefore implies that the allowance was wrongly captured as responsibility allowance in Inspiro people system, therefore indicating non-compliance to the EAC Human Resource Policy, which requires that a responsibility allowance should not be earned for more than six months.

Management reported that it engaged the service provider who has reconfigured the system to improve the system operations. The system was configured an additional input category for Extraneous allowance was added. This payroll emolument is correctly captured.

#### **Committee observation**

The institution may be breaching the provisions of The EAC Human Resource Policy Article 46.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management correctly captures allowances payable in compliance with the provisions of the EAC Human Resource Policy, and that contractual letters reflect allowances declared as payable to an officer in accordance with the EAC Human Resource Policy.***

#### **3.4.14.2 Infor SunSystem**

The Audit commission report revealed the following control weaknesses which may impact on the integrity of information in the systems and the reports being generated thereof: The system has weaknesses over financial transactions processing which include: Unauthorized users who access the system; direct modification of incorrect transactions without using journal entries; retroactive adjustment of login dates, causing transactions to be recorded with dates that do not align with their occurrence and lack of system logs in the opening and closure of accounting periods which could result in undetected unauthorized changes. The system has not been configured to enforce three-way match for payments being made to vendors. As a result, payments can be posted into the general ledger without the corresponding system generated purchase order and invoice. There is limited interface between the Budget Management System and the Sun System resulting in manual intervention during the initial budget upload and supplementary. This could result in errors and irregularities due to human intervention.

Management reported that the system was reconfigured to address the gaps observed but currently, the system does not allow any modification of transaction references & descriptions; System logs are available for the opening and closing of accounting periods. The 3-way match control is in effect LVBC migrated to the new web based Infor Sun system 6.4 that is web based and has enhanced controls this has greatly improved the integrity of information in the financial system.

#### **Committee observation**

There is a possibility of non-disclosure of all Purchase orders issued. Therefore, there is a likelihood of the institution paying for goods not ordered, undelivered or unwanted goods and services.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management takes appropriate action to address the issues affecting the effective use of the Infor SunSystem.***

#### **3.4.14.3 Budget Management Information System**

The Audit Commission noted the following weakness in Budget Management Information System:

##### **3.4.14.3.1 Budget reallocations done off the system**

The budget reallocations are not done through BMS, thus reallocations are done directly in the accounting system Infor Sun System.

Management reported that the BMS system is centrally managed, currently it allows for one planning cycle hence Supplementary and reallocations as approved are done outside the system. LVBC is following up with EAC Secretariat to provide way forward on the control issues identified.

**Committee observation**

Inadequate controls over reallocation may lead to unauthorised budget reallocation and unrealistic budget performance reports.

**Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management carries out budget reallocations through the budget management system in order to strengthen controls over the reallocations.***

**3.4.14.4 E-Procurement System**

The Audit Commission noted the following weaknesses in E-Procurement System:

**3.4.14.4.1 Underutilization of E-procurement system**

The audit commission established that the LVBC has not put the E-procurement system into use, even though the web-based system had been made available. The commission further reported that training for the system had been done for Senior Accountant, Senior Procurement Officer, Systems Administrator, ITO and Accountant in the month(s) of August-September 2023.

Management reported that LVBC is following up with EAC Secretariat to provide way forward on the control issues identified.

**Committee observation**

There is no value for money from the non-utilization of already acquired information technology assets.

**Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that LVBC Management follows up with the EAC Secretariat on the pending configurations so that the system can be put to use to realize value for money and improve operational efficiency.***

## 3.5 EAST AFRICAN KISWAHILI COMMISSION (EAKC)

### 3.5.1 GOVERNANCE

#### 3.5.1.1 Absence of the Strategic Plan at EAKC

The Audit Commission noted that the first EAKC Strategic Plan expired with the financial year 2020/2021. Indeed, its duration was extended over a period of 5 years, from 2016/2017 to 2020/2021. However, it is only in 2022 that Management undertook the recruitment of a Consultant for the development of the 2<sup>nd</sup> EAKC Strategic Plan. The invitations labelled "Request for proposal for development of the East African Kiswahili Commission (EAKC) 2<sup>nd</sup> Strategic Plan" were submitted through the EAKC email by 06 July 2022 and two individual Consultants expressed interest in this work. At the end of the process, the highest ranked of the two Consultants, Maurice Oginga Danje, was awarded a contract for an amount of **USD 21,650**. The contract was signed on 30 March 2022. But this Consultant withdrew before even starting the work, on 02 June 2023 and since then, the Commission has been operating without any Strategic Plan.

Management clarified that the 1<sup>st</sup> Strategic Plan expired on 30 June 2022 (2017-2022) and not 2021 as stated. In view of the foregoing, Management developed the 2<sup>nd</sup> EAKC Strategic Plan internally, in consultation with Partner State experts and stakeholders. The Sectoral Committee of SCESTCS considered the plan and the report is part of the background paper which the Council is expected to adopt. The Plan shall be launched after council approval.

#### Committee observation

Absence of the Strategic Plan makes it difficult to implement the mandate of the Commission and achieve the objectives assigned to it.

#### Committee recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management takes all necessary steps to fast track the development of the 2nd EAKC Strategic Plan, and to ensure that in this new document the planned activities are spread year by year to facilitate future evaluation of its implementation.***

#### 3.5.1.2 Improper planning and budgeting - Unimplemented activities

The Audit Commission reported that only **5 core** activities were budgeted for a total amount of **USD 377,631.00** out of a total budget of **USD 1,498,256.00** representing only **25%**, other activities being statutory meetings to be attended by Management. The Audit Commission noted that by 30 June 2023, the Commission's overall budget absorption was at **66%** and **three** of these of these program activities were not fully implemented.

**Table 3.5.1: Unimplemented activities**

S/No.	Activity	Budget Amount (USD)	Actual Expenditure (USD)	Percentage of Implementation (%)
1.	To procure translation &	74,337.00	0	0.00

	Interpretation equipment			
2.	Stakeholders engagement sensitization and training-DRC	28,500.00	0	0.00
3.	Stakeholders validation meeting of translated EAC treaty	38,600.00	984.00	2.54
	<b>Total</b>	<b>141,437.00</b>	<b>984.00</b>	<b>0.69</b>

Management informed the Committee that several meetings of the Commission were held virtually thus contributing to the intended cost cutting. Management clarified that the Summit Directive on the Implementation of Kiswahili as an Official Language of the Community required engagements with stakeholders from Partner States to facilitate the development of the Road Map within the timelines including the World Kiswahili Day celebrations. Regarding program expenses, these are usually done through involvement of stakeholders from Partner States and is actually the core responsibility of the Commission. The management committed to continue using video conferencing for most of its meetings in compliance with the recommendation.

#### Committee Observations

- i. Improper planning and budgeting may delay the attainment of the intended objectives;
- ii. Non-implementation or partial implementation of planned activities may be an indicator that staff members were underutilized during the year since they could not perform to the optimum and may also delay the attainment of the intended objectives.

#### Committee recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management always ensures that the annual budget takes into account its core activities and the implementation of these activities as scheduled, in order to enable the effective accomplishment of the objectives assigned to the Commission.***

### 3.5.2 REVIEW OF EXPENDITURE MANAGEMENT

#### 3.5.2.1 Excessive Administrative and Program expenses: USD 385,382

The Audit Commission reported an amount of **USD 488,387** representing administrative and program expenses. The Audit Commission report further revealed that an amount of **USD 385,382** was incurred under travel, accommodation, subsistence expenses and conference and meeting costs representing **79%**. This reduces the current operating expenses on the core functions of the Commission to only **USD 103,005** that is approximately **21%**.

The Management promised to allocate more funds to the core activities and henceforth use as much as possible the conferencing facilities available at the Commission to minimize on the costs of travel and accommodation.

#### Committee Observation

By not using the Cisco Video conferencing equipment to reduce travel, accommodation and subsistence expenses and conference and meetings costs, EAKC Management is expensing much money that would be used for the implementation of other commission activities.

#### Committee recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management minimizes travel and subsistence allowances, as well as***

***conference and meeting costs, by effectively using the video conferencing facilities available in all EAC institutions and Member States.***

### **3.5.2.2 Concern over Kiswahili research support granted to postgraduate students**

The Audit Commission reported that the EAKC announced the call to support research activities of postgraduate students undertaking research on Kiswahili. The selection process recommended five (5) best applicants to be awarded research grants. The Audit Commission noted that on 01 August 2022, EAKC informed successful applicants their results. In this regard, the EAKC and successful applicants agreed and signed the funding research grants based on the following terms: To make a paper publication (on the funded research) in a peer reviewed journal of the applicant choice; To submit a progress report signed by the supervisor, on the status of the research by 30 November 2022; Disseminate the findings in an online seminar to be organized by EAKC not later than 07 December 2022; and To acknowledge support from EAKC in their publication and final thesis and; To submit a copy of thesis on completion of the study. A total amount of **USD 14,981** was disbursed at this end. However, Audit Commission was not provided with any evidence of achievement for the above terms to confirm that they were complied with (*after almost one-year period*) up to the time of audit in November 2023.

Management reported that it was following up with the beneficiaries and there was some good progress. Management further clarified that some students submitted their final thesis acknowledging support from EAKC while some were working on their draft papers for publication, as well as dissemination of their studies in conferences. Management committed to continue liaising with the students their supervisors regarding their deliverables in order to meet the intended objectives.

#### **Committee Observation**

Delay in producing Kiswahili research reports by successful applicants may lead to failure to achieve the intended objectives within set timelines. Hence, no value for money is being deprived from the amount spent on the Kiswahili research in this regard.

#### **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management follows up with applicants' supervisors to establish the reasons for delay and takes appropriate action in order to accelerate research activities and ensure that the intended objectives are achieved within the implementation timeframe.***

### **3.5.2.3 Non-compliance with EAC Financial Rules and Regulations regarding the retirement of imprest**

The Audit Commission reported that receivables amounting to **USD 1,465,767.00** included staff imprest totaling **USD 124,533**. Contrary to Regulation 40 of the EAC Financial Rules and Regulations 2012, some of these staff imprests (totaling an amount of **USD 19,600**) were not retired in time.

Management informed the Committee that the variation between the return date and the retirement date was attributed to cases where two or more activities ran back-to-back or where a member of staff proceeded on leave immediately after the field activity without going back to the office. Management committed to uphold the regulations on matters of imprest

management.

### Committee Observation

Failure to comply with the regulations regarding the retirement of imprest calls into question the control system put in place and may lead to loss of funds by the Commission.

### Committee recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management recovers in full all imprests not retired in time from salary, wages, and other payments due to the responsible officer within the current month, with a surcharge of 10% per month on the outstanding amount, and avoids issuing another imprest to an officer before the previous imprest is fully accounted for.***

## 3.5.3 REVIEW OF PROCUREMENT

### 3.5.3.1 Non-compliance with EAC Financial Rules and Regulations and Procurement policies and Procedures

The Audit Commission reported that EAKC renewed its contracts with three suppliers for provision of various services for the year 2022/2023 whereby the duration of the previous contract period was extended for 12 months. However, the Audit Commission noted that the contracts were renewed without involvement of Procurement Committee, contrary to Regulation 48(d)(viii) of the Financial Rules and Regulations, 2012. The Audit Commission is concerned with this matter as the EAKC had been annually extending the contract period of the same contracts without Procurement Committee's approval for more than four years.

**Table 3.5.2: Contracts renewed without approval of the Procurement Committee**

Supplier's name	Service provided	Renewed Period covered	Period under contract	covered original
Starlink Travel	Ticketing services	12	2017/2018	
Jubilee Health Insurance	Staff medical insurance services	12	2020/2021	
Zanlink ltd	Provision of internet services	12	2020/2021	

The Audit Commission further noted that the EAKC procured goods amounting to **USD 18,568** without obtaining three quotations from suppliers. This is evidenced through the evaluation report and the request for approval of procurement, where the companies were mentioned to be the only respondent. However, audit commission noted that this practice restricts the opportunities of having the best suppliers who are capable of supplying goods of high quality and at economical prices to obtain value for money in the use of EAC funds.

**Table 3.5.3: Procurements done without obtaining three quotations from suppliers**

No	Supplier	Description	Date	Amount USD
1	Stone Town Traders Limited	Supply of office stationaries and other small office equipment	26/06/2023	3,741.42
2	Home comfort	Supply of metal shelving racks, high cupboard (steel series) and executive office	23/06/2023	5,836.42

		desk		
<b>3</b>	Infosys IPS	Supply of multifunctional printer and laptop computers	16/06/2023	8,990.13
	<b>Total</b>			<b>18,567.97</b>

Management committed to ensure compliance with the EAC procurement guidelines as stipulated in the Procurement Policies and Procedures Manual.

### Committee Observation

Renewing contracts without Procurement Committee's approval may lead to EAKC being bound to unfruitful contracts. Non-achievement of the value for money as best prices might not be obtained.

### Committee recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management complies with the regulations in place, uses competitive procurement methods to achieve value for money, and seeks prior approval from the Procurement Committee for any contract renewal.***

### 3.5.3.2 Tenders awarded at higher price than what budgeted for in the procurement plan

Contrary to Regulations 31(1) and 45(2)(f) of the EAC Financial Rules and Regulations, 2012, the audit reconciled the estimated tender cost totaling to **USD 29,552** for various tenders with its actual contract price amounting to **USD 29,552**; which represented **133%** of the estimated budget (budgeted amount) of **USD 22,200** as indicated in the table below.

**Table 3.5.4: Tenders awarded at higher price than what budgeted for in the procurement plan**

S/N	Title of tender	Contract amount	Estimated cost	Variance USD	Percentage
		(A)	(B)	(C=A-B)	(A/B)*100
<b>1</b>	Medical Insurance	18,899	13,200	5,699	143%
<b>2</b>	Maintenance of equipment	10,653	9,000	1,653	118%
<b>Total</b>		<b>29,552</b>	<b>22,200</b>	<b>7,352</b>	<b>133%</b>

The above irregularities may be attributed to failure to carry out an appropriate market survey before preparation of budget.

Management appreciated the observations and promised to harmonise the market price in the approved budget and procurement plan.

### Committee Observation

Awarding tenders at the higher prices than the forecasted budget may expose EAKC to risk of insufficient funds during settling supplier's/contractors' invoices, thus delays in delivering services. This is also an indicator of poor planning and budgeting and may affect implementation of other planned activities.

### Committee recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management determines the estimated costs for planned tenders after***

***appropriate market surveys, where necessary, before incorporating them into the procurement plan, and complies with all applicable processes and regulations so that tenders awarded or expenses incurred are in line with the approved budget.***

### **3.5.4 REVIEW OF HUMAN RESOURCES**

#### **3.5.4.1 Under staffing of EAKC**

The Audit Commission reported that when it reviewed the EAKC Organisational Structure, it revealed that the Commission does not have a sufficient human resource complement in the established positions. Out of the eighteen (18) positions in the approved structure, only six (6) staff members are in position. This has a negative impact on the implementation of EAKC's annual activity plans and the ultimate attainment of the Commissions' objectives.

When the Committee interacted with the management of the EAKC it reported that most of the positions in the technical departments that are vital to the mandate of the EAKC are yet to be filled.

#### **Committee Observation**

Due to the insufficient human resources at EAKC, planned activities may not be carried out in a timely manner. Strategic objectives of the Commission may not be attained. The existing staff members are overloaded with extra responsibilities thus reducing their performance.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management takes all necessary steps to obtain approval for the recruitment of staff to fill the vacant positions as provided for in the approved organizational structure.***

#### **3.5.4.2 Irregular accumulation of annual leave days**

The Audit Commission reported that Contrary to Regulation 71 of the EAC Staff Rules and Regulations 2006, EAKC staff members accumulated leave days beyond the level authorized; yet there is no written approval by the Secretary General or any other relevant authority.

**Table 3.5.5: Leave days accumulated without any approval by the relevant authority**

<b>Staff name</b>	<b>Grade</b>	<b>Entitlement</b>	<b>Days accumulated as at 01 July 2022</b>
James O. Jowi	P5	30	45
Hassan Abdallah	G5	21	45
Joseph Malesi	P3	30	68
Caroline Ajiambo Osiyenya	G5	21	29
Jean Bosco Nsabimana	P2	30	60

Management noted the observations and committed to ensure proper planning of staff leave, such that all annual leave is taken as per the staff rules and regulations.

#### **Committee Observation**

The accumulation of leave days means that staff continue to work without rest; which leads

to a reduction in its performance.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management complies with the regulations in force and avoids any accumulation of leave days beyond the accepted levels. In this perspective, Management should further ensure proper planning of staff leave so that all annual leave is taken before the end of the current financial year, and cancel all leave days not taken without the approval of the relevant authority at the end of each year.***

### **3.5.5 REVIEW OF CASH AND CASH EQUIVALENT**

#### **3.5.5.1 Failure to Conduct Regular Independent Petty Cash Checks**

The Audit Commission reported that the EAKC maintains petty under Section 4.5.2(a) of EAC Financial Manual with cash float of **USD 5,000** in dollars and equivalent of **USD 1,000** in TZS denominations. However, only two independent checks were conducted by the Internal Audit Section during the year under review and therefore monthly and regular surprise checks were not carried out as provided for by Section 4.5.2(o)(w) of EAC Financial Procedures Manual, 2013.

Management reported that the Commission does Bank reconciliations of the petty cash on monthly basis and the Independent assessment of what management does is conducted by Internal Audit. Management further reported the following cash counts during the year.

**Table 3.5.6: Cash Counts during 2023**

<b>S/N</b>	<b>DATE</b>	<b>PARTICULARS</b>
<b>1</b>	13/04/2023	Accounts Assistant With Internal Audit
<b>2</b>	02/05/2023	Accounts Assistant With Principal Accountant
<b>3</b>	16/02/2023	Accounts Assistant With Principal Accountant
<b>4</b>	28/06/2023	Accounts Assistant With Internal Audit
<b>5</b>	17/09/2023	Accounts Assistant With Internal Audit

### **Committee Observation**

Absence of effectiveness on controls related to cash management exposes the Community to the risk of loss of funds.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management complies with controls related to cash management and takes serious action on the subject.***

### **3.5.6 REVIEW OF ASSETS MANAGEMENT**

#### **3.5.6.1 Weaknesses noted in the Fixed Assets Register**

The Audit Commission reported the EAKC fixed assets register is incomplete as it lacks information such as the date of acquisition, manufacturer's serial number and the expected useful life of the asset. The Audit Commission further noted that the name of the asset is also not clearly indicated in the depreciation sheet as the register only has initials that do not have a Key for guidance. In addition, errors were noted in the register as the Commission's motor vehicle TCD 587 EAC Mitsubishi Pajero is recorded as TCD 585 EAC without the chassis number or Car VIN Number.

Management reported that most of the Commission's assets (Furniture and fittings) do not require information such as manufacturers' serial numbers. Otherwise all computers have their serial numbers captured in the register. All the assets have unique identification labels both on the body and in the register. The location and condition of the assets is also clearly indicated as is the acquisition date and cost. The sun system that the Commission currently uses has a weakness in that it can accommodate just a defined amount of information hence we miss out on some information such as source of property and grant agreements. Other EAC Organs supplement the sunsystem with other Assets management systems such as hard Cart at the Secretariat.

### **Committee Observation**

Incomplete fixed assets register is an indication of inadequate fixed assets management that may affect negatively the accountability and effective use of EAKC assets.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management:***

- i. Complies with the EAC Financial Procedure Manual by incorporating all details relating to assets in the Fixed Assets Register to enable easy identification, analysis, and effective management of the assets, thereby safeguarding their safety.***
- ii. Corrects the errors currently existing in the Fixed Assets Register and ensures that, in the future, all assets are accurately recorded.***

### **3.5.6.2 Maintenance of Assets fully depreciated and annual revaluation review not conducted**

The Audit Commission reported that EAKC Management maintains fully depreciated assets (**at USD 1 value**) irrespective of these assets being in good condition and being utilized by to the Commission. This has in return resulted to fully depreciated assets with an initial cost of **USD 13,977** being held at USD 1, yet they are in good condition and the Commission continues to derive economic benefits of these assets which are held in their custody. Management reported that re-evaluation of useful life has been conducted and updated in the asset register.

Management reported that all the assets of the Commission were revalued and the process to update the Asset Register was underway.

### **Committee Observations**

- i. The EAKC assets presented in the Fixed Asset Register do not present fairly the financial position and operations of the Commission.**
- ii. The Commission is in contravention of the Financial Procedures Manual 2013 provisions.**

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management complies with the regulations and determines whether a revaluation should be undertaken, so that assets are revalued in order to maintain their values in line with their usefulness.***

## **3.5.7 REVIEW OF EAKC INFORMATION SYSTEMS**

### **3.5.7.1 IT Governance**

The Audit Commission reviewed the alignment of EAKC's IT governance and identified some weaknesses illustrated below:

#### **3.5.7.1.1 Lack of an ICT strategic plan**

The Commission still does not have an ICT strategic plan to cover all IT investments, operational budgets, funding sources, procurement strategy, acquisition strategy, Training, maintenance, and legal and regulatory requirements, while its overall strategic plan states that ICTs will have a significant impact on the development and use of Kiswahili in its learning.

Management reported that the EAKC does not have its own ICT Strategic Plan but relies on the documents developed by the EAC Secretariat. However, the Commission has commenced steps towards developing its 2nd Strategic Plan which will give a clear direction on the development of the other policy documents of the Commission including the ICT Strategic Plan. The ICT Strategic Plan will be prioritized for development after the 2nd EAKC Strategic Plan is adopted.

#### **Committee Observation**

The absence of an ICT strategic plan will result into efficient management of IT resources; create minimal alignment between ICT initiatives and the institution's business strategies and priorities; hence increased ICT management costs and poor project management.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management puts in place an ICT Strategy Plan with the participation of all stakeholders and ensures alignment with the overall Strategic Plan of the EAKC organization.***

#### **3.5.7.1.2 Lack of ICT internal audit report**

The Audit Commission noted that the internal audit function is included in the organizational chart of the EAKC. However, up to the current audit in November 2023, EAKC is still relying on EAC Secretariat internal auditors for ongoing audits, pending the availability of budget for the recruitment of its own internal auditor.

Management concurs with the recommendation and promised to advocate for it.

#### **Committee Observation**

Due to lack of an internal audit framework, no independent assurance can be given on the risk management governance and internal control processes of EAKC's IT environment. This can hinder the early detection of errors and the identification of risks.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management liaises with the EAC Secretariat to explore possibilities of staffing the Internal Audit Department of one of the two entities with ICT experts who can address the review of information systems.***

#### **3.5.7.1.3 Lack of ICT Steering Committee**

The Audit Commission reported that EAKC does not have an ICT Steering Committee, or an equivalent committee to oversee the alignment of ICT operations and investments with the

organization's strategy and to ensure return on investment.

Management reported that the ICT Steering Committee had not been put in place as the Commission has lean staff levels coupled with staff challenges in the ICT Department. Management promised to put in place the ICT Steering Committee and where need be, seek further technical support from other sister institutions.

#### **Committee Observation**

The absence of an ICT Steering Committee will weaken the effectiveness and oversight of ICT investments and the alignment of ICT functions with the institution's strategic plan and service delivery.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct EAKC Management to establish an ICT Steering Committee to provide advice and oversight of ICT projects, ensuring that its membership includes representatives from different departments and senior management for smooth functioning.***

#### **3.5.7.1.4 Lack of ICT policies and procedures**

The Audit Commission noted the EAKC does not have an ICT policy, procedure or equivalent guideline that applies to the execution of work in the field of ICT.

Management reported that the EAKC does not have its own ICT policies and procedures but currently relies on those developed by the EAC Secretariat.

#### **Committee Observation**

Lack of an ICT policy and procedures or equivalent guidelines, objectives to address challenges related to ICT security, appropriate use of ICT resources and compliance may hinder the objectives set. The EAKC may encounter issues that will directly affect the performance or business continuity of the organization.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management develops ICT policies and procedures in accordance with operational requirements, relevant laws and regulations, and frequent changes in ICT infrastructure.***

#### **3.5.7.1.5 Lack of service level agreement between IT and user departments**

The Audit Commission noted that there are no internal Service Level Agreements (SLAs) between ICT units and user departments, making it difficult to measure and track IT operations against agreed objectives.

Management reported that a service level agreement draft has been developed and is currently undergoing review by the management.

#### **Committee Observations**

- i. The absence of an internal service level agreement (SLA) with the IT unit would impact the organization on what it is supposed to achieve in terms of quality of service from its IT investment;

- ii. In the absence of a formal agreement between ICT and user departments, operational expectations may not be met.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management develops service level agreements between the ICT Department and user services to define the responsibilities, accountability, and working arrangements of both parties.***

### **3.5.8 IT GENERAL CONTROLS**

#### **3.5.8.1 Lack of incident management procedures**

The audit commission noted that there are no incident management procedures in place. Let alone an incident register or a register to record and track incidents effectively. Incidents are received primarily by phone call and there is no mechanism to record them. This makes it difficult to determine whether they will be resolved in a timely manner and whether they are reviewed regularly to identify recurring incidents and find a permanent solution.

Management has acknowledged the recommendation and is fully committed to implementing an ICT incident management tool within three months.

#### **Committee Observation**

The lack of control to limit the frequency, damage, and costs of future IT incidents, or to take Support requests can turn into a problem and lead to disruption to operations.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management implements an ICT incident management tool to record and address incidents according to their criticality, complemented by an IT help desk feature that serves as a central point for all IT-related issues and provides accurate reports to drive continuous improvement.***

#### **3.5.8.2 Lack of IT risk assessment and management**

The Audit Commission noted that the EAKC did not have a risk assessment and management plan, and that no risk assessment had been conducted with respect to the implementation and use of ICT systems even after the last audit. This was attributed to the lack of a risk management strategy or policy on which to base assessments.

Management reported that lack of a Risk Management Plan and challenges with undertaking risk assessments has been mainly due to staffing challenges that the Commission has in the ICT department. Management promised develop the Risk Management Plan immediately after the Commission develops its 2<sup>nd</sup> Strategic Plan.

#### **Committee Observation**

The lack of an ICT risk assessment hinders the identification of risks, as such adequate responses to identified risks may not be designed.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management undertakes all necessary measures for the development of an***

***ICT risk assessment and management framework to provide guidance for sound risk management.***

**3.5.8.3 Lack of maintenance of ICT equipment**

The Audit Commission noted that there was no contract for the maintenance of EAKC's ICT equipment. This was evident when the EAKC Sun System server had a freezing issue due to a lack of regular maintenance. The ICT staff in place did not possess the necessary skills to carry out such maintenance, so the server was taken to the EAC secretariat for repairs. But currently the Sun System is in the process of being migrated to a server machine and the ICT manager takes care of the quarterly maintenance of the equipment himself.

Management concurred with the audit observation and committed to explore possibilities of implementing the recommendation to outsource the maintenance services of ICT equipment. Currently, the IT officer handles regular maintenance tasks.

**Committee Observation**

The lack of maintenance of ICT equipment exposes it to malfunctions and can lead to data loss.

**Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management carries out equipment maintenance regularly and in accordance with ICT policy, while assessing whether to outsource the maintenance service or train ICT staff to perform ongoing maintenance of ICT equipment.***

**3.5.8.4 Inadequate physical and environmental controls in the server room**

The Audit Commission observed that a CCTV camera is now installed, a firefighting system and also a log of people visiting the server room. The only hazard is that the backup generator, and the universal power supply (UPS) is still not available.

Management reported that the generator was not yet procured but promised to ensure that a sufficient UPS and backup generator are put in place.

**Committee Observation**

The lack of a backup generator or inverter of sufficient capacity can reduce the proper functioning of services and lead to equipment malfunction.

**Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management equips the data center with a UPS capable of operating for a sufficient period of time and a backup generator to guarantee continuity.***

**3.5.8.5 Lack of application change management procedures**

The Audit Commission noted the lack of change management procedures to control changes to applications to avoid disruptions and the introduction of security breaches.

Management took careful note of the observation and fully committed itself to making every effort to establish and implement effective change management procedures. Management

further promised to put in place the change management procedure within the next five months.

#### **Committee Observation**

Lack of application change management procedures can lead to system failure. Also, changes made directly on the system can lead to data loss.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management develops change management procedures, maintains a record of system change requests, and ensures that all changes are documented and evaluated before deployment to the production environment, while further categorizing changes as major, minor, or emergency.*

#### **3.5.8.6 Lack of a standardized mechanism for system acquisition and maintenance**

The Audit commission reported that EAKC acquired a Sun System since 2017. Flaxen System Enterprise Ltd and EAKC have signed an annual support and maintenance contract which has been renewed for the past five years. The total cost of the contract is **USD 23,125**. According to the status of Sun System at the EAKC, it was installed on a client machine which creates doubt as to what they were technically supported but currently the Sun System is in the process of migrating to the server machine located within the EAKC building. Management noted the observation and confirmed that steps were already underway to migrate the Sun System to the server of the EAKC.

#### **Committee Observation**

The fact that Sun System is installed on a client machine that is accessed by anyone connected to the network exposes the risk of losing data in the event of a virus attack.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management standardizes IT infrastructures in accordance with the ICT policy, and that the provider conducts follow-up and evaluation of the support rendered to the Commission over the past five years, particularly regarding applications installed on client machines.*

#### **3.5.8.7 Examination of the applications**

##### **3.5.8.7.1 Ineffective use of the Budget Management System (BMS)**

The Audit Commission reported that EAKC has, at its disposal, a Budget Management System (BMS) to automate budget processes. However, the Audit Commission noted that EAKC does not use BMS on a regular basis. This System is located at EAC Secretariat and EAKC only accesses to it during the preparation of the annual operational plan and budget. Management reported that the Commission usually relies on the BMS for its budgeting processes and in its view, the system has been sufficiently used. However, not all staff are able to use BMS as has been pointed out. Management promised to arrange with the Secretariat so that all staff that need this training are trained.

#### **Committee Observation**

Inadequate use of the System may indicate that the Commission is still managing the budget manually, whereas there is a System acquired specifically for budget management in all EAC Organs and Institutions.

## Committee Recommendation

The Committee recommends to the Assembly to urge the Council to ensure that EAKC Management strengthens staff training on the use of the BMS and ensures that the system is effectively utilised.

### 3.6 EAST AFRICAN HEALTH RESEARCH COMMISSION (EAHRC)

#### 3.6.2 REVIEW OF BUDGET PERFORMANCE

##### 3.6.2.1 Budget Underperformance for the year ended 30 June, 2023

The Audit commission observed that there was underutilisation of allocated funds for various budget lines, as outlined in the table below:

**Table 3.6. 1: Budget Underperformance for the year ended 30 June, 2023**

Description	Original and Final Budget	Actual Amounts	Variance	%Variance underperformance
	<b>A</b>	<b>B</b>	<b>C= (A-B)</b>	<b>D=(C/A*100)</b>
<b>REVENUE</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	
Contribution from Partner States	2,170,309	1,360,487	809,822	37
<b>EXPENSES</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	
Salaries, Wages and Employee Benefits	971,497	412,102	559,395	58
Administrative and consultancy Expenses	504,480	300,980	203,500	40
Development Expenses	826,198	462,311	363,887	44
<b>Finance Cost</b>	<b>9960</b>	<b>6940</b>	<b>3020</b>	<b>30</b>

Management reported that budget included the cost associated with filling in 03 established staff positions. Appointment letters for 02 positions were issued in April 2023 and the new staff reported in July 2023. Management further clarified that the EAHRC management does not currently include the budget for recruitment until the Council of Ministers give the approval. Besides, with improvement of the staffing of the professionals, the performance is expected to be improved.

#### Committee Observation

The underutilization of budget allocations for specific budget lines indicates a failure to fully achieve the planned activities. This could also be indicative of inadequate planning during the budget preparation phase.

#### Committee Recommendation

*The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management takes proactive measures to ensure that funds allocated to EAHRC are utilized in accordance with planned budget activities, thereby preventing underutilization of the budget.*

### 3.6.2.2 Under-utilization of funds from the Reserve

The Audit commission observed that the EAHRC requested an additional budget allocation of **USD 134,425**. This supplementary budget was intended to cover various expenditures, including monthly staff emoluments and one-time allowances totaling **USD 121,125** as well as the acquisition of EAHRC assets amounting to **USD 13,300**. The Council approved this supplementary budget for the financial year 2022/23, and it was designated to be funded from the East African Community (EAC) General Reserve. However, the Audit commission observed that the **USD 13,300** allocated for the acquisition of assets by the EAHRC remained unused. The assets which were to be procured are as indicated in the table below.

**Table 3.6. 2: Assets to be procured by the Supplementary budget requested**

S/No	Description	Unit	Unit cost	Total value USD
<b>01</b>	Computer Equipment (Backup UPS APC 10 KVA)	01	6,840	6,840
<b>02</b>	Computer (Replacement of batteries for APC 15 KV UPS)	64	15	960
<b>03</b>	LAN Installation costs	01	5500	5,500
	<b>Total value</b>			<b>13,300</b>

Management fully concurs and always strives to ensure optimal utilization of resources allocated. The Senior ICT Officer was appointed during the 43rd Council of Ministers Meeting held in February 2023. It had been envisaged that by end May / beginning June, he would have come on board to support with the sourcing and procurement process for the related ICT equipment. The ICT person reported on 2nd July 2023, a new Fiscal Year.

#### **Committee Observation**

The underutilisation of the budgeted resources, particularly the unutilized USD 13,300 designated for asset acquisition, poses a significant risk of inefficient processing of information in the Commission.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management takes immediate action, now that the ICT Officer is on board, to ensure that the approved funds are utilized for the activities for which they were intended within the Commission.***

### 3.6.2.3 Delay in Preparation of the Strategic Plan

The Audit Commission reported that EAHRC Strategic Plan had not been revised since its duration from 2016 to 2021, leaving the Commission to operate in the financial years 2021/22 and 2022/23 without an updated roadmap.

When the Committee interacted with EAHRC Management, it reported that The 24<sup>th</sup> Sectoral Council on Health approved the 2nd EAHRC Strategic Plan 2025-2030 (**EAC/SC Health/24/Decision 023**). The Council deferred the approval of the 2nd EAHRC Strategic Plans 2025-2030 pending conduct of the end of the term review by the EAHRC of the 1st EAHRC Strategic Plan (**EAC/CM45/Decision 71**). During their session, the 45th Council of Ministers deferred approval of the 2nd EAHRC Strategic Plan 2025-2030 pending the conduct of the end term review of the 1st Strategic Plan by EAHRC. The End Term Evaluation of the

1st Strategic Plan was concluded, validated by partner states and submitted to the upcoming 48th Council of Ministers for consideration. A submission to the upcoming 48th Council of Ministers was sent for consideration of the report of the End Term Evaluation of the 1st Strategic Plan and for approval of the 2nd Strategic Plan consequently.

### **Committee Observation**

The absence of an updated Strategic Plan raises concerns about the Commission's strategic direction. The lack of this plan makes it challenging for management to align annual objectives with the broader strategic priorities, impacting resource allocation, evaluation, and monitoring of achievements.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management promptly prepares and implements an updated Strategic Plan, establishing a clear roadmap linking high-level objectives to operational targets to enable effective resource allocation, goal alignment, and performance evaluation.***

#### **3.6.2.4 Request for Supplementary budget for unfilled post of the Executive Secretary**

The Audit Commission report revealed a vacancy in the top leadership position at the East African Health and Research Commission. The Commission submitted a supplementary budget to the Council of Ministers, seeking approval for settlement allowance and furniture for the Executive Secretary position, but the position has remained unfilled at the time of audit in December, 2023. The funds should have been requested earlier in the budget process given the importance of this position.

**Table 3.6.3: supplementary for a vacant post of Executive Secretary for EAHRC**

S/No	Description	Unit	Unit cost	Total value USD
<b>01</b>	Furniture-Executive Secretary	1	15,000	15,000
<b>02</b>	Settlement Allowance-Executive Secretary	1	27,000	27,000
	<b>Total</b>			<b>42,000</b>

***Source: Approved Supplementary Budget 2022-23***

Management reported that in February 2023, the 43<sup>rd</sup> Ordinary Meeting of EAC Council of Ministers **EAC/CM 43/ Decision EAC/CM 43/ Decision 78** directed that the position of Executive Secretary Health Research Commission be readvertised in all the Partner States and the quota points be applied at the point of consideration of candidates for appointment. Given the urgency, Management had envisaged that the recruitment process would be expedited and possibly filled by latest close of the financial year but never materialised.

### **Committee Observation**

Budgeting for the position of Executive Secretary through supplementary request indicates a lapse in management diligence during the planning process.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management actively pursues the recruitment process for the Executive Secretary to fill the vacancy and aligns budgetary allocations with organizational needs.***

### **3.6.3 REVIEW OF REVENUE MANAGEMENT**

#### **3.6.3.1 Late Submission of Contributions from Partner States**

The Audit commission reported that only **63%** of the budgeted contribution was received by 31 December 2022 which is well below the required amount based on EAC Financial Rules and Regulations. This indicated a notable delay in financial support from the Partner States. The Audit Commission further noted that by 30 June 2023, the cumulative contributions received increased to **78%** of the budgeted contributions but there was still a **22%** outstanding balance indicating that by the year end, an amount of the expected contribution that had not been received.

Management reported that it continues to make concerted effort at all policy meetings by providing an up to date status on the contributions received.

#### **Committee Observation**

Delayed contributions by Partner States leads to failure in implementing planned and budgeted activities, disrupt the organization's ability to carry out its mission effectively and can negatively impact the achievement of EAHRC objectives.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management engages with the Secretariat to follow up with partner states so that they remit their required contributions in a timely manner.***

### **3.6.4 REVIEW OF INTERNAL CONTROL AND GOVERNANCE**

#### **3.6.4.1 Risk Management**

The Audit Commission observed that the EAHRC lacks a comprehensive risk management approach. Aside from appointing a Risk representative, there is no evidence of any other risk awareness initiatives, risk identification and assessment activities, or the establishment of a Risk register.

Management reported that EAHRC Follows EAC risk management policy. The EAHRC Risk Management focal point has been duly nominated and is an active member of the EAC Risk Management Committee. The EAHRC risk prevalent areas have been duly identified and risk mitigation measures developed. The EAHRC Focal Point will put in place mechanisms for frequent sensitization of all EAHRC Staff on Risk and Risk Management. In addition, EAHRC has a procurement Manual.

#### **Committee Observations**

- i. EAHRC's failure to conduct risk management activities is in violation of Part B, Paragraph 4 (4.2) of the Risk Management Framework, Policy, and Strategy dated November 19, 2011.
- ii. The absence of risk identification and mitigation strategies exposes EAHRC's operations to various risks, potentially compromising its ability to fulfill its objectives.

- iii. Risks, by their nature, can also represent missed opportunities. Inadequate risk management may hinder EAHRC from realizing its full potential and achieving its objectives.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management fosters risk awareness at all organizational levels, in line with the East African Community (EAC) Risk Framework, Policy, and Strategy, by ensuring that all staff understand the concept of risk and its importance in achieving organizational goals.***

### **3.6.5 ASSETS MANAGEMENT**

#### **3.6.5.1 Fully Depreciated Assets Still in Use**

The Audit Commission report revealed that contrary to Section 8.1.4.3 (c) of the Financial Procedures Manual 2013, some assets were fully depreciated, despite being in active use and in excellent condition.

When the Committee interacted with Management of EAHRC, it reported that the board of survey was constituted and had started its assignment.

#### **Committee Observation**

The failure to reassess the useful life of these assets may result in an understatement of their net book values. This misalignment between the recorded value and the assets' continued utility to the Commission poses a potential risk.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management conducts a comprehensive reassessment of the useful life of all assets, with subsequent adjustments to the financial statements so that the recorded values accurately reflect their ongoing utility and present a true and fair view of the organization's financial position.***

#### **3.6.5.2 Stolen Assets included in the Asset Register**

Contrary to IPSAS 1 Paragraph 27, which states that "Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity, the Audit commission established that certain assets included in the asset register have, in fact, been pilfered. This unfortunate discovery has led to an overstatement in the financial statements, of an amount of USD 5,276 details in the table below.

**Table 3.6. 4: List of Stolen Assets**

Asset Code	Description	Value USD	Audit Remarks
<b>EAHCELAP02</b>	Dell XPS 12" Laptop E7250	1,895	Stolen and included in the F/s
<b>EAHCELAP05</b>	Dell XPS 13" Laptop with Touchscreen QHD	1,831	Stolen and included in the F/s
<b>EAHCELAP06</b>	Laptop Dell L 5480	1,550	Stolen and included in the F/s
<b>Total Amount</b>		<b>5,276</b>	

Management promised to make a follow up with the relevant authorities to get a full report on the outcome of the investigation conducted. Once the report is received, a formal letter will be written to the SG on the same to recommend for removal of the stolen assets from the EAHRC assets register.

#### **Committee Observation**

The inclusion of stolen assets in the financial statements leads to a misrepresentation of the organization's asset values.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management updates the asset ledger and consequently amends the financial statements to accurately reflect the true and fair financial position, while also finalizing the investigation and taking appropriate action.***

#### **3.6.5.3 Unutilized assets valued at USD 22,159**

The Audit Commission report revealed that certain assets, as listed in the register, have remained dormant and unused.

Management reported that the Board of survey was in place and did the physical inventory of EAHRC assets in September 2025 and also identified assets for disposal. The Board committed to propose rates for the disposal and submit to the Finance and Administration Committee for consideration.

#### **Committee Observation**

There is a risk that assets were procured without a thorough assessment of the necessity for their acquisition.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management considers disposing of assets that are not in use and are at risk of becoming obsolete, in order to avoid further loss in value.***

#### **3.6.6 ACCOUNTS RECEIVABLE MANAGEMENT**

##### **3.3.6.1 Long Outstanding VAT USD 154,980**

The Audit Commission reported that when it examined the financial statements of the EACHRC it revealed that the VAT receivables and other tax balances stood at USD 154,980. Further analysis of this amount reveals that USD 23,000 (fifteen percent) of this sum has been outstanding for up to 12 months, while a significant portion, USD 131,603 (eighty-five percent), has been outstanding for over 12 months.

Management committed to continue to follow up on the VAT Claim submitted to expedite the refund process.

#### **Committee Observation**

The extended duration of these outstanding amounts poses a risk, as the longer VAT balances remain uncollected, the more likely it becomes that they may ultimately prove unrecoverable.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management initiates direct communication and collaboration with the Revenue Authorities in Burundi to expedite the recovery of outstanding Value Added Tax and Withholding Tax.***

### **3.3.6.2 Long Outstanding Receivables from Partner States of USD 1,064,619.92**

The Audit Commission reported that during the year under review, EAHRC had outstanding receivables from Partner States amounting to USD 1,064,619.92. A review of the aged analysis of these receivables as of June 30, 2023, revealed that a sum of USD 1,722,563 remained outstanding from the 2021/22 financial year, indicating a decrease of USD 657,944.

**Table 3.6.5: Long Outstanding Receivables from Partner States**

STATE	OPENING BALANCE	INCREASE/ (DECREASE) DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Republic of Burundi	366,165	72,622	438,787
Republic of Kenya	11,033	(11,033)	0
Republic of Rwanda	11,034	(10,973)	61
United Republic of Republic	11,113	(11,033)	80
Republic of Uganda	13,258	(7,654)	5,604
Republic of South Sudan	1,309,961	(999,917)	310,044
Democratic Republic of Congo	0	310 044,00	310 044,00
<b>TOTAL</b>	<b>1,722,563</b>	<b>(657,944)</b>	<b>1,064,620</b>

*Source: Financial statements for the 2022-23*

Management informed the Committee that the follow up on the long outstanding receivables is a continuous exercise and EAC Partner States are duly informed and reminded at each opportunity during the policy meetings.

### **Committee Observations**

- i. Prolonged outstanding receivables could potentially hinder EAHRC's ability to execute planned activities due to a lack of necessary funds.
- ii. The cumulative outstanding receivables, which have been increasing over time, may become increasingly difficult to recover.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to address the challenges of long-outstanding receivables by the partner states, as these impede the effective implementation of EAHRC's programmes.***

### **3.6.7 REVIEW OF CASH & CASH EQUIVALENT**

#### **3.6.7.1 Anomalies in the preparation of bank reconciliation statements**

The Audit Commission observed that all bank reconciliation statements were conducted on a monthly basis. However, concerns arose as there were instances where the dates of preparation appeared to have been erased, casting doubt on the timeliness of these reconciliations. Furthermore, there was a lack of evidence indicating the date of preparation and the absence of a review date by the Deputy Executive Secretary.

Management reported that EAHRC is improving in preparation of the bank reconciliation.

#### **Committee Observations**

- i. The absence of clear dates for the preparation of bank reconciliations and the lack of a review date by the Acting Executive Secretary contribute to weakened internal controls.
- ii. Erasing dates from financial documents without subsequent adjustments raises questions about the reliability and authenticity of these documents.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management incorporates clear and unambiguous dates for the preparation of bank statements, and that the Acting Executive Secretary conducts timely review and approval to provide transparency and strengthen internal controls within the organization.***

### **3.6.8 PROCUREMENT MANAGEMENT**

#### **3.6.8.1 Un Approved Procurement plan for financial year ended 30 June 2023**

Audit Commission revealed that the East African Health and Research Commission's procurement plan was not harmonized with the approved budget and was not authorized for implementation, contrary to Regulation 4.2.(1) of Procurement Policies and Procedures Manual 1<sup>st</sup> September 2011. Management reported that since its operationalization in June 2015, the Commission has been operating without a Procurement expert. In February 2023, the 43<sup>rd</sup> Council of EAC Ministers duly appointed a Procurement Officer who reported on 6<sup>th</sup> July 2023.

Management reported that issue has been fully addressed by adhering to the EAC Procurement Policies and Procedures. The Procurement Plan for the subsequent Financial years (2023-24, 2024-25 and 2025-26) have been fully approved by EAHRC Procurement Committee. The oversight was due to the lack of a Procurement Officer at that time.

#### **Committee Observations**

- i. The failure to synchronize procurement with the approved budget may lead to the acquisition of goods and services that were not accounted for in the budget.
- ii. In the absence of an approved procurement plan, there is a risk of procuring goods and services without optimizing value for money.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management strictly adheres to the institution's procurement policies in order to enhance service delivery and address the identified issues.***

#### **3.6.8.2 Irregular procurement of Conference facilities amounting to USD 65,510**

The Audit Commission reported that EAHRC management engaged M/s Radisson Blu Hotel & Convention Centre vide LPO number PON/EAH/000479 for provision of Conference facilities on its 9th East Africa Health Science Conference held on 27th to 28th September 2023 in Kigali Rwanda at a cost of USD 65,510. Upon scrutiny of transaction's supporting records, there were no evidence of advertisement for a call for bids nor adherence to open bidding threshold as provided for by Section 68 (1) and (7) of The East Africa Community Financial

Rules and Regulations, 2012.

When the Committee interacted with EAHRC Management, it reported that the irregularity was fully addressed and the guideline given by the Audit Commission was followed in the procurement of conference facilities during the 10th East African Health Scientific Conference that took place in June 2025 in Juba Republic of South Sudan. The irregularity was caused by lack of a Procurement officer at that time.

#### **Committee Observation**

The lack of competition could lead to procuring services at uneconomical prices.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management fully complies with the laid down rules and regulations, and that in any unique situation approval is sought from the appropriate authority with an alternative procedure identified to ensure transparency, accountability, and value for money.***

### **3.6.9 INFORMATION SYSTEM AUDIT**

#### **3.6.9.1 Transactions posted in General ledger before their occurrence**

The Audit Commission reported that when it reviewed the General Ledger, it revealed that 181 transactions totaling USD 507,056, were recorded in the ledger prior to their actual transaction dates. The discrepancies in transaction dates range from 7 to 155 days.

Management reported that this was an oversight due to a time lag between when the activity was implemented and the date of posting in Sun System which can be verified during the next audit.

#### **Committee Observation**

The practice of posting transactions before they occur has significant implications for financial reporting. It can lead to a distortion of the financial statements, resulting in inaccuracies and misrepresentations. Such inaccuracies have the potential to mislead users, compromising their ability to make informed decisions and possibly causing financial losses.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management takes proactive steps to configure system controls to prevent pre-posting of transactions and implements robust measures that enforce accurate transaction dating within the system.***

#### **3.6.9.2 Inconsistent Exchange rate adjustments**

The Audit Commission reported that when it reviewed the application of exchange rates in the SunSystem, it revealed that 113 transactions from the General Ledger involved the conversion of EAC currency (United States Dollar) to Burundian Francs. The conversions were carried out at varying rates, differing significantly from the monthly configured exchange rates. The conversion rates employed ranged from USD 17.6 to USD 756, resulting in a cumulative discrepancy of USD 15,217.

Management reported that this has since been rectified and can be verified during the next audit.

### **Committee Observation**

Failure to implement robust controls over foreign exchange rates within the system can potentially lead to material misstatements in the financial statements/records. This discrepancy could significantly impact financial reporting accuracy, performance evaluation, and decision-making processes.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management implements appropriate controls to manage foreign exchange rates within the system effectively, ensuring consistency with IPSAS 4 guidelines and mitigating risks associated with inconsistent exchange rate application.***

#### **3.6.9.3 Lack of verification of journals prior to posting to general ledger**

The Audit Commission examination of journal entries and posting roles exposed a lack of segregation of duties, with a single user initiating and posting 1,140 transactions.

Management reported that it received support from CASSOA Finance Staff who visits the Commission once in a while to review the accuracy of entries posted in Sunsystem.

### **Committee Observation**

The absence of segregation in duties poses a heightened risk of unauthorized or inappropriate journal entries. This could potentially result in financial misstatements or the misappropriation of assets due to the lack of verification in the posting process.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management establishes proper approval processes for posting transactions, thereby providing oversight and a system of checks and balances to detect errors.***

#### **3.6.9.4 Redundant or excessive Sun system software licenses**

The Audit Commission reported that EAHRC entered into a software license agreement with Flaxem System Enterprises Limited for the provision of software licenses that grant rights to use the Sunsystem software for accounting processes. It was agreed that EAHRC commits to pay licensing services worth USD 4,756.25 annually. The Audit Commission review of the agreement revealed that a total of 39 users are licensed to use the Sunsystem modules and yet EAHRC has a single user (*Principal accountant*) who is authorised to use the Sunsystem for accounting purposes.

Management reported that that the license policy has been resolved in the late contract based on EAHRC business requirements.

### **Committee Observations**

- i. Unused software licenses represent wasted financial resources, as the institution continue to pay for licenses that are not being utilized effectively.
- ii. Dormant software licenses may indicate a lack of alignment between the software needs and preferences of the users and the software procurement and deployment

decisions of the institution resulting into reduced productivity.

### **Committee Recommendation**

***The Committee recommends to the Assembly to ensure that EAHRC management establishes a clear software licensing policy that outlines the institution's software licensing requirements, including how licenses are to be purchased, tracked and renewed.***

#### **3.6.9.5 Lack of systems ownership**

The audit commission established that EAHRC currently lacks formalized system ownership and intellectual property rights for the web application systems it has deployed. The audit commission further revealed that no evidence was obtained to substantiate the existence of systems handover protocols.

Management reported that the EAHRC has full Admin control over all the systems as stipulated on the contract.

### **Committee Observations**

- i. The absence of formalized system ownership and handover procedures raises concerns about the possibility of unauthorized access and misuse of these systems for business transactions.
- ii. The absence of system ownership results in a lack of clear accountability for system performance, maintenance, and compliance with industry standards, which can hinder the institution's ability to ensure effective and efficient system operation.
- iii. Without proper ownership and oversight, there is a risk of exposing the institution to the misuse or misappropriation of intellectual property contained within these systems.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC management:***

- i. Collaborates with system developers and other relevant stakeholders to establish clear ownership and oversight of the systems;***
- ii. Develops and implements formalized system handover procedures to ensure a seamless transition and clear accountability for the systems; and***
- iii. Ensures that intellectual property rights are clearly defined and safeguarded within the systems.***

#### **3.6.9.6 Lack of documentation on system development life cycle**

The Audit Commission noted the absence of documentation pertaining to the web systems development process within EAHRC. This documentation deficit includes critical components such as the system requirements document, system design, development contracts, system and user acceptance testing, and the approval of system go-live.

Management reported that the EAHRC have all user guides for these systems, however the systems business requirements and documentations have been included in our FY2026/2027 for re-engineering and systems enhancement.

### **Committee Observations**

- i. The lack of comprehensive documentation hampers the efficiency of future system upgrades, knowledge transfer, and the overall usability of the systems. Without these records, it becomes challenging to understand and modify the systems effectively.

- ii. The absence of documentation significantly increases the potential costs and time required for system maintenance and support. Identifying and resolving issues, troubleshooting, and implementing updates become more complex and resource-intensive without the proper documentation.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management initiates and maintains documentation throughout the entire system development process and accurately establishes the total investment for each developed web system by tracking resources allocated, costs incurred, and benefits gained across the system's life cycle.***

#### **3.6.9.7 Non-automation of key business processes**

##### **3.6.9.7.1 Manual human resource and payroll processing**

The audit commission noted that EAHRC does not have Inspiro People which is designed to streamline and automate various HR and payroll functions within the institution.

##### **Manual processing of procurement activities**

The audit commission noted that procurement processes are done manually at EAHRC.

Management reported that given the limited staff capacity at EAHRC, it is of the view that procuring the system would not be cost-effective at this time, since the Human Resource Officer is currently able to manage the assignment effectively.

#### **Committee Observations**

- i. Manual processing of business operations leads to continued operational inefficiencies, increase in operational costs and human errors which may result in inaccurate financial records.
- ii. Lack of value for money for the investment done in acquiring the systems which are not fully utilized.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management automates its business processes in relation to human resource management and procurement, in order to improve operational efficiency, enhance the accuracy of financial records, and strengthen overall institutional performance.***

#### **3.6.9.8 Under-utilization of SunSystem for inventory management**

The Audit commission report revealed that the Inventory Management module, designed to streamline the acquisition, storage, and distribution of the institution's stock, is not in use.

The EAHRC management committed to integrate the inventory component of the Sun-System during the renewal of the current contract.

#### **Committee Observation**

Manual tracking of inventory without the operational Inventory Management module increases the risk of errors, leading to discrepancies between actual and recorded inventory levels. This situation may result in misinformed decision-making and financial inaccuracies.

## Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that EAHRC Management fully implements and operates all SunSystem modules included in the signed contract.***

### 3.7 CIVIL AVIATION SAFETY AND SECURITY OVERSIGHT AGENCY (CASSOA)

#### 3.7.1 REVIEW OF THE STRATEGIC PLAN

The Audit Commission reported that CASSOA undertook a mid-term review to evaluate status of implementation of the strategic plan 2020/2021 – 2024/2025. The Audit Commission report revealed that the approved budget for the same period was **USD 5,462,319 (45%)** and **USD 3,649,970 (30%)** was actually received. The plan was not monitored on regular basis and does not indicate quantitative figures on planned outcomes. There are no annual reports produced and issued to the Council of Ministers and eventually published as required by Article 19 of CASSOA Act 2009. The details are indicated in the following tables.

**Table 3.7. 1: Status of Implementation of Strategic Activities**

Status of implementation	Results/ Activities	Percentage (%)
Fully achieved	8	5
Ongoing activities	61	39
Partially achieved	52	33
Not achieved	36	23
<b>Total</b>	<b>157</b>	<b>100</b>

**Table 3.7.2: Financing of the Strategic Plan**

Budget/ Financial Year	2020/2021 USD	2021/2022 USD	2022/2023 USD Half Year	Total USD	%
Strategic plan estimates	2,757,725	6,352,830	3,120,948	12,231,503	100
Approved Budget	2,035,440	2,080,500	1,346,379	5,462,319	45
Actual Received	1,137,720	1,437,000	1,075,250	3,649,970	30

Management reported that the above anomalies emanated from the strategic plan in which key targets and KPIs were not incorporated. Management clarified that an end of term review for the 2020/2021- 2024/2025 of the strategic plan has been incorporated in the FY 2025/2026 Budget to assess the overall achievements, lessons learned, and provide recommendations for the next strategic cycle. Additionally, management plans to institute an annual review process to assess annual performance against set targets and KPIs, identify emerging challenges, risks, and propose necessary adjustments. The Final review of the 3rd Strategic plan was completed.

#### Committee observation

Non-achievement of strategic objectives may lead to failure to meet Agency Mandate, loss of confidence from stakeholders, including member organizations, donors and employees.

## **Committee recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management engages stakeholders to secure the necessary resources to put the plan back on track, and regularly evaluates and adjusts its strategies to remain aligned with its objectives.***

### **3.7.2 REVIEW OF THE AGENCY'S GOVERNANCE STRUCTURES**

#### **3.7.3.1 Composition of the Board**

The Audit Commission Report on the Agency's Board composition revealed that only the Republics of Uganda, Kenya and The United Republic of Tanzania had nominated aviation experts as members of the Board in accordance with the Protocol of Establishment. The Republic of South Sudan, Republic of Rwanda and the Republic of Burundi had not nominated aviation experts.

When the Committee interacted with CASSOA Management, it reported that Article 7 of the protocol restricts the Board composition to Director Generals and Aviation Experts from partner states. The Experts have to be from outside the aviation industry and in most partner states, the industry is still young. Partner States found Article 7 of the Protocol restrictive and proposed amendments to allow greater flexibility in nominating aviation experts from within the industry. The Board approved the proposal, which was then adopted by the 19 Sectoral Council on Transport, Communication, and Meteorology (SCTCM) and referred to the Council for policy clearance. The proposed amendment to the Protocol and Act is currently being considered by the Sectoral Council on Legal and Judicial Affairs. It is therefore undergoing the required legal process as established by the Treaty. The Board composition gaps still open.

#### **Committee observation**

Lack of representation of diverse opinions, delays decision-making due to quorum issues, deduced accountability by management, stalled strategic planning and erosion of stakeholder confidence in the organization's governance and decision-making processes.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management consults with the EAC Secretariat and Ministers responsible for civil aviation in the Partner States to fulfill their responsibility of promptly nominating Board members, and further fast-tracks the amendment of the clause in the Protocol that restricts aviation experts from outside the aviation industry of the Partner States.***

#### **3.7.3.2 Delayed Integration of Democratic Republic of Congo into the Agency's Activities**

The Audit Commission reported that CASSOA initiated the process of integrating the DRC into the Agency in line with the proposed EAC roadmap. Some of the steps undertaken by the Agency included official communication, high level visit to DRC and follow up through the Foreign Affairs Ministry of DRC. It was however noted that there was non-responsiveness of DRC Civil Aviation Authority to participating in the Agency's activities.

Management reported that DRC delegates and experts have attended a number of Agency activities from the 66th Board meeting, the Symposium, AVSEC WG among others and DRC is fully integrated in to CASSOA.

**Committee observation**

The Democratic Republic of Congo Civil Aviation Authority is missing out of the benefits of belonging to a Regional Safety Oversight Organization.

**Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management consults with the EAC Secretariat to explore and exhaust all avenues to secure the participation of DRC CAA in the Agency.*

**3.7.3 BUDGET AND BUDGETARY CONTROLS**

**3.7.3.1 Variance between Budget Uploaded in Budget Management System and that in Sun System**

The Audit Commission reported a comparison of the BMS and Sun System budgets showed variances. In addition, the accounting codes 2900204 and 2900210 on other office equipment and medical equipment respectively could not be traced to the BMS System.

**Table 3.7.3: Variance between Budget in BMS and Sun System**

Account Code	Description of Input	Sun System (USD)	BMS(USD)	Variance (USD)
<b>2230104</b>	Air Ticket within EAC-Board Members	8,120	-	8,120
<b>2900204</b>	Other Office Equipment	112,918	-	112,918
<b>2900210</b>	Medical Equipment	174,721	-	174,721
<b>2230101</b>	Air Ticket within EAC-Staff	107,358	105,358	2,000
<b>2230114</b>	DSA w/in EAC - Staff	468,775	464,975	3,800
<b>2240105</b>	Honoraria	114,493	102,793	11,700
	<b>Total</b>	<b>986,385</b>	<b>673,126</b>	<b>313,259</b>

Management reported that the realignment of Modules for Supplementary Budget and Budget allocation was effected in December 2024 and is fully implemented.

**Committee observation**

Weak budgetary controls may lead to overspending or underspending of the approved budget.

**Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management consults with the EAC Secretariat to integrate the two*

***systems, harmonize accounting codes, and ensure that supplementary budgets and reallocations are updated in the BMS.***

### **3.7.3.2 Weaknesses in System Budgetary Controls**

The Audit Commission reported that a comparison between the approved budget and the expenditure for the Agency revealed the Agency overutilized the budget on some items as shown below. It was noted that the system allows expenses to be debited even when the budget is insufficient.

**Table 3.7. 4: Budget Over Utilization**

<b>Accounts Code</b>	<b>Description</b>	<b>Total BMS Budget USD</b>	<b>Actual Expenditure USD</b>	<b>Variance USD</b>	<b>% Utilization</b>
<b>2110306</b>	Basic Wages- Interns	1,400	1,700.00	300.00	21
<b>2120504</b>	Responsibility Allowance	432	964	532	123
<b>2120605</b>	Overtime-General Staff	600	1,562	962	160
<b>2210301</b>	Printing and Publishing Services	2,000	2,104	105	5
<b>2210403</b>	Hiring of Other Transport	3,614	6,029	2,415	67
<b>2240202</b>	Bank Service Charges	10,084	13,717	3,633	36

Management reported that the Budget controls were reinstated in Sunsystem and Management continuously reviews budget performance to ensure expenditure are in line with the approved budget.

#### **Committee observation**

Possibility of weak budgetary controls in the system which allow for over expenditure on item codes.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management implements budgetary controls within the system to cap expenditure at approved budget levels.***

### **3.7.4 REVIEW OF ACCOUNTS RECEIVABLE**

#### **3.7.4.1 Outstanding Contributions from Civil Aviation Authorities in Partner States of USD 697,647**

The Audit Commission reported that it had noted that Partner States had outstanding contributions to CASSOA worth **USD 697,647** as of 30<sup>th</sup> June 2023. There was also no evidence that the Partner States wrote to the board through the Agency Secretariat explaining reasons for non-remittance. Details are indicated in the table below;

**Table 3.7.5: Outstanding Contributions from Partner States**

Name	Outstanding as at 30 June, 2022	Contribution for FY 2022/2023	Paid by Partner States for the FY 2022/2023	Bad Debts Written Off	Outstanding as at 30 June, 2023 (USD)
Republic of Burundi	621,787	448,793	821,726		248,854
Republic South Sudan	1,841,229	448,793	606,427	1,234,804	448,793
<b>Total</b>	<b>2,463,016</b>	<b>897,586</b>	<b>1,428,153</b>	<b>1,234,804</b>	<b>697,647</b>

Management reported that the arrears from previous Financial Years as follows: The Republic of Burundi reduced its outstanding Contributions from USD 449,876 to USD 391,205; The Republic of South Sudan reduced its outstanding contributions from USD 762,358.60 to USD 474,499; The Agency has formally written to DRC CAA requesting a written undertaking or payment plan towards clearance of its arrears amounting to USD 920,026. In the Current Financial Year (FY2025/26); Rwanda remitted 100%; Kenya, Uganda and South Sudan remitted 50% each, and Burundi remitted 12%. United Republic of Tanzania and Federal Government of Somalia have completed. The Agency continues to engage the Democratic Republic of Congo.

#### **Committee Observation**

Failure by Partner States to honor their contributions has a negative impact in the implementation of the planned activities.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management consults with the Secretariat to engage Partner States on the recoverability and timely remittance of outstanding contributions, and fast-tracks the implementation of CASSOA's Sustainable Funding Mechanism to complement Partner State contributions, which are currently insufficient and irregular.*

#### **3.7.4.2 Outstanding VAT Refund**

The Audit Commission reported **USD 83,125** being VAT receivables which remained outstanding from the Government of Uganda. The Audit Commission further noted that at the time of audit in November 2023, the outstanding claims were out of which **USD 61,430** were claims made prior to FY 2021/2022.

Management reported that the Agency submits VAT claims every 15th day of the month. In the FY 2022/2023, VAT refund Claims were recovered in full. In the FY 2023/2024, VAT refund Claims for Q1, Q2, and Q3 were recovered to the tune of 99%. VAT claims for Q4 are undergoing assessment by URA. The Total Outstanding VAT refund as at 30th June 2024 stand at US\$ 66,313.95. However, out of the US\$ 66,313.95, there is a long outstanding amount of US\$ 59,197.67

#### **Committee Observation**

Delay to settle the VAT refunds by the Uganda Revenue Authority may constrain the capacity of CASSOA in implementing the strategic plan and execution of its mandate.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management consults with the Secretariat and the Board to carry out an appraisal on the recoverability of long-outstanding claims.***

### **3.7.5 REVIEW OF ASSET MANAGEMENT**

#### **3.7.5.1 Delayed Issuance of Title Deed for CASSOA Headquarters**

The Audit Commission reported that CASSOA headquarters is on plot no 41-43 Circular road, Entebbe Municipality and was granted with an initial lease period of 5 years effective 1 January, 2012 with an extension period of 49 years on completion of the building covenant. The Agency since 2016 has been applying for renewal of the lease and Ugandan Land Commission during its meeting of 16<sup>th</sup>, 17<sup>th</sup> and 22<sup>nd</sup> November, 2022 under minute 40/2022 (a) (72) approved a fresh term of 49 years commencing 1/01/2012 subject to payment of required fees. The fees were paid by Ugandan Civil Aviation Authority in August, 2023. The Audit Commission noted that the Ugandan Land Commission had not issued the lease to the Agency.

Management reported that the status was still the same. The UCAA is awaiting the issuance of the Title from the Busiro Land Board as the process has been concluded on the part of the Uganda Land Commission. The Agency continues to follow up on the matter. Ongoing effort The Agency continues to follow-up with Busiro Land Board.

#### **Committee Observation**

A title deed serves as legal proof of ownership, providing land owners with legal protection against encroachment, trespassing, and unlawful occupation. Without a title deed, the Agency may be vulnerable to land grabbing, illegal occupation, and possible loss.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management engages the Government of the Republic of Uganda and other relevant institutions to complete the remaining process of the title deed, thereby securing the Agency's tenure and recognized land rights.***

#### **3.7.5.2 Delayed Handover of the Centre for Aviation Medicine**

The Audit Commission reported that Kenya Civil Aviation Authority had not officially handed over the building to CASSOA hence the Agency did not recognize the land and building as part of its assets. In addition, the Agency had identified snags in the building to be rectified by the contractor prior to handing over. The Audit Commission undertook Physical inspection of the facility and established that the contractor was yet to rectify the snags listed by the Agency.

Management clarified that the official handover of the CAM from KCAA to EAC CASSOA was done on 21st February 2025.

#### **Committee observation**

Without a title deed, the Agency may lack legal protection and security of her land rights. This creates a potential risk of disputes, conflicts, and even evictions by fraudulent parties, as there is no official documentation to prove ownership.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management engages the Government of the Republic of Kenya and other relevant institutions to fast-track the official handover of the CAM from KCAA to EAC CASSOA.***

### 3.7.6 REVIEW OF HUMAN RESOURCE

#### 3.7.6.1 Under Staffing of CASSOA

The Audit Commission reported that the organizational structure of CASSOA provides for 27 established positions out of which 19 were filled as at 30 June 2023 and 8 positions remained vacant as shown below.

**Table 3.7.6: Understaffing of CASSOA**

	Staff establishment	Staffing status (2022/2023)	Unfilled position	Key vacant position with no plan to be filled
Executive Director	1	1	0	Succession plan available
Professional Staff	18	13	5	1. Aviation Meteorology Environment expert 2. Manager of airworthiness 3. Procurement Officer
General staff	8	5	3	Plan to recruitment plan available
<b>Total</b>	<b>27</b>	<b>19</b>	<b>8</b>	

The Audit Commission further noted that, the structure has not been updated for about 10 years implying that it had become outdated and cannot respond to the current needs of the organization. Failure to fill the Agency Structure was attributed to budget constraint as it was stated in Human resource documentation.

Management reported that the following positions were filled; Principal HR & Admin Officer (reported July 2024) Procurement Officer (reported May 2025) Office Secretary, Technical (reported May 2025) Estates Management Assistant (reported August 2025).

#### Committee observation

Understaffing negatively affects both the employees and the overall functioning of the Agency.

### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management engages the relevant stakeholders to fast-track the filling of vacant posts within the current organizational structure.***

### **3.7.6.2 Outdated Organization Structure**

The Audit Commission reported that the organization structure of CASSOA was approved more than 10 years ago when the organization was small then serving 3 Member States but the Agency is now serving seven Member States. The Commission noted mismatched hierarchies whereby all heads of departments are not aligned to level in the structure. For example, Units /Departments like Finance, Internal Audit, legal and Information Technology are headed by officers below other Departments and units etc.

Management reported that a new organizational structure was approved by the BOD at its 64th meeting.

#### **Committee Observation**

An outdated structure may be rigid and hierarchical, making it difficult for the Agency to respond quickly to changes in the market or adapt to new opportunities. This can result in inability to deliver on the Agency's mandate.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management considers redesigning the Agency's structure to be more agile, functional, and focused on collaboration, with improved communication channels and greater empowerment of employees to make decisions.***

### **3.7.6.3 Challenges in Attracting and Retaining Professional Staff**

The Audit Commission reported that the aviation industry is highly dynamic requiring constant update with emerging technologies in the market. The professions also require certification and regular continuous development programs requiring annual subscription which is not being provided. The Board considered the matter on 23 August, 2023 and requested management to follow up with the Civil Aviation Authorities of Partner States on sharing of training slots issued by manufacturers of aircrafts in the region with CASSOA. This would enable the Flight Safety Standards (FSS) Experts and related professionals to acquire new knowledge and skills on operation and oversight on each individual types in the aviation fleet. In addition, the Board also considered the issue on high staff turnover and challenges in attracting some professional staff in the aviation industry largely attributed to noncompetitive remuneration by the Agency. However, the Audit Commission noted that no results have been achieved on this matter and staff who are required to have certifications at entry are not supported to maintain membership within the appropriate professional Associations.

Management clarified that the challenge is not attraction but retention and CASSOA is undertaking a remuneration study which has been reviewed awaiting Board endorsement. Management further clarified that the Training plan is in place and being executed.

#### **Committee Observations**

- i. The turnover of staff could pose operational risks, especially if key personnel involved in aviation industry are leaving. This could affect the efficiency and effectiveness of the Agency's operations.

- ii. The request for sharing training slots indicates a concern for enhancing knowledge and skills. The lack of opportunity to enhance the knowledge and skills may pose a risk to the competency of FSS experts, potentially affecting the agency's ability to oversee safety standards in the region.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management takes actionable measures to address staff retention and to promote continuous capacity building of professional personnel.***

### **3.7.7 EXPENDITURE MANAGEMENT**

#### **3.7.7.1 Inadequate Segregation of Duties in Initiating and Posting of Transactions**

The Audit Commission reported that that fourteen (14) journals were originated and posted by the same person implying lack of segregation of duties. Management reported that due to limited number of staff and the nature of Agency operations, it is hard to always have all staff in office at the same time, Therefore the Agency has put in Place compensating controls whereby, after posting transactions in Sun System, a payment Voucher is printed and signed by three people (prepare, Check and approved).

Management reported that it continues to ensure internal controls are strengthened and that there is segregation of duties. The Agency engaged an Accounts Assistant to facilitate segregation of duties, hence this matter has been concluded.

### **Committee Observation**

There is a possibility of errors, and omissions going through without being detected.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management strengthens controls in the Infor Sun System to enforce segregation of duties in initiating and posting transactions.***

### **3.7.8 INFORMATION AND COMMUNICATIONS TECHNOLOGY**

The Audit Commission reviewed the adequacy of ICT governance of CASSOA, and noted the following:

#### **3.7.8.1 Lack of an ICT Strategic Plan**

The Audit Commission noted that the Agency does not have an ICT strategic plan in place to cover all ICT investments, operational budgets, funding sources, sourcing strategy, acquisition strategy, training, maintenance and legal / regulatory requirements. Having a well formulated strategic plan is important as it guides the entity to stick on the development of the intended objectives.

Management reported that a draft ICT Strategic Plan was presented to ICT Steering Committee that analysed it and provided input. Thereafter, the draft strategic plan was presented to the management committee during FY 2024-2025 which gave an input for consideration. The final edited copy of the strategic plan will be presented to the management committee during Q2 of the FY 2025-2026. The strategic plan is yet to be completed.

### **Committee Observation**

Ineffective management of ICT resources; creating minimal alignment between ICT initiatives and the institution's business strategies and priorities.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management develops, adopts, and implements a comprehensive ICT strategic plan, involving all stakeholders and ensuring alignment with the organization's overall strategic plan.***

#### **3.7.8.2 Inadequate Physical and Environment Controls in the Server Room**

The Audit Commission observed that there were air conditioning, fire suppression, fire extinguishers as well as Closed Circuit Television (CCTV) and Uninterruptable Power Supply (UPS) infrastructure in the datacenter. However, humidity and temperature control systems were not in place.

Management reported that the Agency is planning to install a system at the Aviation Centre of medicine and will fix the issue simultaneously in Quarter 3 FY 2025/2026.

#### **Committee Observation**

Failure to appropriately protect the data center exposes the infrastructure to a risk of exposure to damages and loss of organization's information.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management puts in place appropriate controls in and around the data center to prevent damage.***

#### **3.7.8.3 Application of Unsupported Server Operating System**

The Audit Commission noted that CASSOA was still using Window Server 2012 R2, and that there was no maintenance done on the ICT equipment in a long time. Using window server 2012 R2, an unsupported operating system may lead to unresolved bugs, performance issues, and compatibility problems with new hardware or software. This therefore, can lead to system instability, system failure, or decreased performance affecting productivity.

Management reported that 1(one) server was procured and setup at EAC CASSOA HQ to replace one of the obsolete ones. An additional server will be procured during the current financial year and Additional servers to be procured as replacements for the unsupported versions.

#### **Committee Observation**

Due to insufficient maintenance, the ICT equipment is exposed to risks of running obsolete, security breaches, disruption of operations, loss of data and failure to recover from disaster.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management considers upgrading Windows Server 2012 R2 or migrating to a supported version, such as Windows Server 2019 or newer, to maintain secure, compliant, and reliable infrastructure.***

#### **3.7.8.4 Lack of Restoration Test for Backup Recovery**

The Audit Commission reported that CASSOA has setup disaster recovery site installed at the premise of the Centre for Aviation and Medicine (CAM) in Nairobi Kenya. Data of critical application systems: Sun system and others are sent to the site using electronic Virtual Private Network (VPN) clouding on quarterly basis. However, Audit Commission was concerned that the practice may be subjected to risk since restoration of test of backup data is not done to validate that they can be restored during disaster.

Management reported that the Restoration Test for Backup recovery was conducted on 10th July 2024.

#### **Committee Observation**

Failure to carry out restoration tests makes it difficult to validate the effectiveness of data backup strategies and ensure the availability and integrity of essential data when needed.

#### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management:***

- i. Conducts regular tests for backup recovery and ensures that all necessary documentation, including the business continuity plan, disaster recovery plan, and backup procedures, is in place***
- ii. Establishes an automated mechanism to perform data backups daily or weekly in line with the established Recovery Point Objective (RPO), and ensures periodic restoration tests of backups are conducted.***

#### **3.7.8.5 Anomalies in Disaster Recovery Plan and Methodology**

The Audit Commission reported that CASSOA is implementing an automated daily backup from the server hosting application systems to the back-up server, however, there were days on which backups were missing.

Management reported that the backup restoration test was successfully done in July 2024 and the database backup is being performed daily.

#### **Committee Observation**

Due to lack of proper implementation there is a risk of loss of data and failure to restore operations in the event of a disaster.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management constitutes a mechanism to confirm that backups are performed daily and completed effectively.***

#### **3.7.8.6 Under Utilization of Sun System**

The Audit Commission reported that CASSOA signed a license agreement with Ilanga System Nairobi Kenya for annual license of **USD 6,027**. The Audit Commission observed that financial statements and bank reconciliation reports were being done off the system which is contrary to the designed application.

Management reported that the Customised Financial Statements in Sun System were done in May 2024 and full customisation was yet to be achieved.

### **Committee Observation**

Manual posting and preparing of reports outside the system may lead to errors and misstatements.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management considers the full implementation and customization of relevant reports using the system application.***

#### **3.7.8.7 Non – utilization of ECCAIRS application- European Co-ordination Centre for Accident and Incident Reporting Systems (ECCAIRS)**

The Audit Commission reported that ECCAIRS is a desktop application that assists civil aviation authorities in sharing and collecting their safety aviation information. ECCLAIRS system Modules are: browser module, Grapher module, data manager module and Query builder ® module. The system is intended for use by partner states for accident and incident reporting in aviation and made available to CASSOA through International Civil Aviation Organization. The Audit Commission noted that whereas this is hosted by CASSOA for the benefit of EAC partner states, it is currently outdated and not in use. The Audit Commission further noted that it was unable to interrogate the systems to review transactions, if any, as the ICT department did not have credentials to access the system at the time of audit.

Management reported that several meetings between CASSOA and EASA were held to follow up on the implementation of the new version of ECCAIRS. EASA confirmed that training will be conducted during the calendar year 2024 before it is rolled out to Partner States.

### **Committee Observation**

There is no value for money from the non-utilization of already acquired Information technology assets.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management consults with the Partner States to fast-track the implementation of the newer ECCLAIRS version and ensure that the system is put into use.***

#### **3.7.8.8 Safety Oversight Facilitated Integrated Application (SOFIA)**

The Audit Commission noted that SOFIA is a web-based multi-tiered system designed to aid Civil Aviation Authorities to manage information and business processes relating to the Safety Assessment of Aircrafts. The software contains modules Safety oversight modules, Examination results modules, Inspection modules, Alert, extracting and reporting module. This system falls under the agency strategic objective that aims at the establishment and maintenance of robust ICT systems to support aviation safety and security oversight. System features include: Alerts & Notes, Personnel Licensing, Organization, Aircraft, Inspection, Reports, Audit trail, and Charts. The Audit Commission noted that SOFIA application system is currently not in active use and the Commission was unable to interrogate the systems to review transactions.

Management reported that development of SOFIA Version 3 was completed and is now operational at TCAA. Implementation of the same was commenced on 8th April 2024 at UCAA and was completed by 1st November 2024. SOFIA Version 3 will also be implemented in other

Partner States. SOFIA Version 3 implementation has not yet commenced at BCAA. Other Partner States will follow thereafter. Currently, TORs for the development of the AVSEC module are being developed to have the module implemented by end of Q4 of the FY 2025 2026. Not yet implemented in Some Partner States like Somalia and South Sudan.

#### **Committee Observation**

There is no value for money from the non-utilization of already acquired Information technology assets.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management consults with the Partner States to fast-track the implementation of the newer SOFIA version and put the system into use.***

#### **3.7.8.9 Non-Integration of POPAY.NET and Sun System**

The Audit Commission reported that POPAY.NET is a comprehensive, fully modular cloud human Resource and payroll solution. The software is designed to provide human resources administration, payroll processing and other workforce pertaining to Human Resource. CASSOA entered into a contract with Africa HR Solutions Limited in April, 2019 to provide a software application at a cost of **USD 8,800**. The contract included deployment of popay.net modules, onsite assistance for first month's payroll processing and key user training. Additionally, CASSOA incurs a total yearly subscription for up to 50 employees which is equivalent to **Three Thousand Nine Hundred and sixty United States Dollars (\$3,960)**. The core modules that runs on the system are employee self service, payroll and leave management. The Audit Commission noted that the software is not integrated with Sun System since payroll payments are entered in the sun system manually. As per narration, payroll process is done off the system. The payroll is prepared in Microsoft excel spreadsheet, after finishing the cycles then, the payroll is uploaded in Sun system for manual posting in the general ledger.

Management reported that the integration of Popay.net and Sunsystem was completed in March 2024.

#### **Committee observation**

Delays in integration of Popay.net and Sun System implies that the Institution resorts to repetitive manual operations with associated risks of errors and omissions.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that CASSOA management considers integrating Popay.net with the Sun System to reduce human intervention in the payment process and to facilitate smoother Electronic Funds Transfer transactions.***

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

#### 3.8.1 REVIEW OF BANK AND CASH BALANCES

##### 3.8.1.1 Failure to Approve Bank Reconciliation Statements

The Audit Commission noted that some bank reconciliation statements prepared did not indicate the month when they were prepared and also there was no evidence of review and approval by responsible authorities. Further, the audit noted that bank reconciliations were not prepared in the format as required by the IUCEA Financial Policies and Procedures Manual, 2014.

**Table 3.1.1: List of bank accounts with bank reconciliation statements not dated and not approved**

Account Number	Bank name	Balance as at 30 June 2023
		<b>USD</b>
<b>2203252049</b>	KCB (USD)	38,949
<b>341417694</b>	Absa Bank (UGX) –Kampala	511,094
<b>100206013</b>	Citibank (USD)-Kampala	1,558,823
<b>344213283</b>	Absa Bank (USD) -Kampala (Pool)	177,967
<b>2290482110</b>	KCB UGX	4,839
<b>903001092279</b>	IUCEA Stanbic Arrears Fund (USD)	956,016
<b>903000801393</b>	Stanbic USD - HQtrs. Fund	267,806
	<b>Total</b>	<b>3,515,494</b>

IUCEA Management reported that this was due to technicalities in the system but the Auditors wanted the approval to be on the face of the system (first page) which has since been corrected.

#### Committee Observation

There is a risk that an unauthorized transaction may go through the bank without being detected in a timely manner due to use of wrong formats and lack of review and approval by responsible authorities.

#### Recommendation

*The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management prepares all bank reconciliations statements in the approved formats on a timely basis and that appropriate reviews and approvals are done.*

#### 3.8.2 REVIEW OF RECEIVABLE BALANCES

### 3.8.2.1 Long outstanding receivables contributions and subscriptions from Partner States and member Universities

The Audit Commission report on the financial statements reflects contributions receivable from Partner States balance of **USD 10,692,767** as at 30 June, 2023 and included in the balance are contributions amounting to **USD 9,404,303** which have been outstanding for periods exceeding one year. The closing balance is net of write off of USD 2,819,828 due from one of the Partner States which was written off by authorization of the 44<sup>th</sup> Ordinary Meeting of the Council of Ministers held between 18 to 22 November, 2023. Management and the Council has been following up on the settlement of the arrears. Although Article 132 (4) of the EAC Treaty provides that the budget of the Community shall be funded by equal contributions by the Partner States among other sources, the continued delays in remittance of Partner States contributions may impact negatively on the implementation of the planned activities for the IUCEA.

**Table 3.8.2: Long outstanding receivables contributions and subscriptions from Partner States and member Universities**

S/N	Partner States	Unpaid balances as at 30 June 2023
		USD
1	Burundi	5,974,102
2	Rwanda	3,395,225
3	Tanzania	2,036
4	Uganda	32,940
	<b>Total</b>	<b>9,404,303</b>

In addition, the Audit Commission noted that reported receivable balance for 140 member Universities subscriptions amounting to **USD 1,352,406** was long outstanding for a period of 5 years as some have been outstanding since 2019.

Management reported that it has been sending reminders to the Partner States and universities on their status of contribution to IUCEA. Management also visited Partner States and universities and engaged with the Ministries responsible for East African Community affairs about Partner States contributions and Vice Chancellors of the Universities. Management further reported that it presents the status of the outstanding receivables at every half-yearly meeting of the Executive Committee and Meetings of the Council of Ministers.

#### **Committee Observation**

Long outstanding receivables hinder the implementation of the Council activities. Further, the intended objectives will not be achieved as envisaged.

#### **Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management engages the Partner States and member universities with a view of recovery of the outstanding amounts.***

### 3.8.2.1 Recoverable Value Added Tax (VAT)

The Audit Commission noted Value Added Tax (VAT) of USD 388,901 claimable from the Partner States. The amount includes USD 382,982 or 98% which has been outstanding for more than 2 year years without resolution. Management has made recovery efforts including engaging Uganda Revenue Authority. The delay in refunding the VAT by the Uganda Revenue Authority may constraint the capacity of IUCEA in implementing its Strategic Plan. This may

hamper the IUCEA contribution to the Community's Objectives.

Management reported that it has recovered all the VAT from Uganda with exception of those from other partner states.

#### **Committee Observation**

This may hamper the IUCEA contribution to the Community's Objectives.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management liaises with Uganda Revenue Authority to expedite the process of recovery of the outstanding Value Added Tax.*

### **3.8.3 REVIEW OF PAYABLE BALANCES**

#### **3.8.3.1 Delay to settle liabilities and Long outstanding creditors**

The Audit Commission reported that IUCEA creditors balance as at 30 June 2023 included long outstanding creditors is **USD 92,743.63** (representing **53%**) out of **USD 173,778.86**. The detailed analysis indicated that respective creditors had exceeded 90 days as at 30 June 2023.

Management reported that most statutory activities are typically executed around June; however, the majority of outstanding liabilities have already been settled.

#### **Committee Observation**

Failure to pay service providers on time may attract unnecessary litigation with associated costs and reputation risks to the Council.

#### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management prioritises settlement of outstanding obligations beyond 30 days and complies with the provisions of the financial rules and regulations with regards to settlement of invoices.*

#### **3.8.3.2 Under- absorption/ Recognition of Deferred Income**

The Audit Commission report on review of the statement of Financial Position revealed that the entity recognised deferred income of **USD 2,692,644** as balance for the Financial Year (FY) ended 30 June 2023. This arose from failure by the Council to implement activities for money received.

**Table 3.8.3: Deferred revenue income recognised in the financial statements**

<b>Particulars</b>	<b>30 June 2023 (USD)</b>	<b>30 June 2022 (USD)</b>
IUCEA projects-ACEII	1,790,499	115,973
IUCEA other projects-(Sida, RISP,UNESCO)	20,514	20,514
IUCEA projects-GIZ -	0	34,387
IUCEA projects-EASTRIP	229,838	423,762
IUCEA projects-KFW	317,166	216,452

IUCEA other projects-SIDA -	0	58,918
IUCEA project-HONA	248,951	199,710
IUCEA project-dSkills	63,218	154,746
IUCEA project-DAF	22,458	62,539
Total	<b>2,692,644</b>	<b>1,287,001</b>

Management reported that Under the ACE II, a substantial amount of funds was allocated to activities that were planned to be undertaken by the Regional Technical Organization (RTO). It was envisaged the RTO would be on boarded during the second half of the financial year. However, IUCEA was challenged as the evaluation of proposals had to be done twice due to a re-tender process. This meant the RTO could not be contracted as planned. This impacted the absorption of funds including funds allocated for the establishment of Incubation Centers through technical support by the RTO. IUCEA was fast-tracking this as it would impact on absorption in the financial year under review. Under EASTRIP, all the activities of the project were undertaken as planned. However, there were similar targets that were to be achieved under the National Project Co-ordination Unit (NPCU-Kenya, Tanzania, and Ethiopia) and regional Facilitating unit (RFU-IUCEA) components that were conducted on the principle of rotation in achieving them. This provided for more cost-effective attainment overall to the project at all levels instead of duplicating activities with similar or related targets. Under HOAI- all planned activities were conducted, however, only one physical meeting for the quarterly ministerial meeting was held physically in February in Nairobi while the others were held virtually. Hence, the cost was not borne as expected.

Management reported that the EARSTRIP project was delayed due to the Covid-19 lockdown, as staff and students were unable to travel between countries. However, the project timeline was extended by two years and it is now progressing well. In contrast, the delay in the ACEII project was attributed to the late procurement of a consultant.

### **Committee Observation**

Failure to utilise funds for planned activities negatively affects attainment of the objectives and goals of the Council.

### **Committee Recommendation**

*The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management implements activities for all funds received within the financial year as this will enhance service delivery and the attainment of the set Council objectives/goals.*

## **3.8.4 REVIEW OF REVENUE**

### **3.8.4.1 Inter-project transfers and borrowings not authorized by Development partners**

The Audit Commission noted transactions and refunds between the IUCEA secretariat and the projects amounting to **USD 88,302.88** as there are also receivables and payables from and to IUCEA in the project segment financial statements. However, the audit was provided with the authorization from development partners for such borrowings.

**Table 3.8.4: Unauthorised Borrowings between IUCEA and projects**

<b>Account Code</b>	<b>Transaction Date</b>	<b>Transaction Reference</b>	<b>Description</b>	<b>Amount USD</b>
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<b>6320402</b>	8/6/2023	PV10751	Refund to IUCEA	22,061.87
<b>6320402</b>	31/7/2022	RC4193	Refund from ACEII	19,211
<b>6320402</b>	3/5/2023	RC4312	Refund from KFW	14,059.01
<b>6320402</b>	8/6/2023	PV10752	Refund to IUCEA for DAF expenses	9,161
<b>6320402</b>	30/9/2022	PV7868	Payment refund for HQ evaluation-PV10176	8,950
<b>6320402</b>	20/9/2022	PV7866	Payment refund for HQ evaluation-PV101179	8,750
<b>6320402</b>	21/7/2022	PV8277	Refund Benchmarks in food safety meeting	6,110
<b>Total</b>				<b>88,302.88</b>

Management promised to always ensure that activities of projects are paid for through project funds and any intra transfer between projects are authorized by the Development Partners before spending on behalf of the projects.

**Committee Observation**

Unapproved expenditure may be incurred due to lack of proper authorization of borrowing fund from one development partner to another. Further, the financed activities may not have been implemented. Hence, the intended objectives will not be achieved.

**Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management avoids transfer/borrowing of funds between projects but if need be it is properly monitored and approved by the responsible authorities.***

**3.8.5 REVIEW OF EXPENDITURE**

**3.8.5.1 REVIEW OF AIR TICKETS MANAGEMENT**

During the financial year 2022/2023, IUCEA spent **USD 699,049** on Air ticket/Mileage for both staff and Delegates. The Audit Commission noted the following irregularities in the expenditure incurred in purchasing air tickets:

**Air ticket changes not dully approved**

The Audit Commission noted that **USD 15,120.6** was spent on air ticket changes but no evidence of authorization was availed. In addition, as noted by Internal Auditors of IUCEA in December 2022, this cost has been increasing over time there was need for management to design mechanisms to reduce the cost.

**Absence of travel statement reconciliations**

The Audit Commission noted several refunds and credit notes relating to air tickets, however it was not availed with the travel statements or the reconciliations thereof.

Management reported that it receives monthly reports from the Finance Department and does not authorize payment for tickets unless all supporting documents have been verified and found to be correct. Furthermore, any changes to a ticket require the approval of the Executive Secretary.

**Committee Observation**

Travels are significant for the performance of the IUCEA activities and mismanagement can have significant financial and operational effect on the organization.

**Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management promotes adherence to the IUCEA guidelines and best practice like the preparation of monthly travel reconciliations, signing of service level agreements with service providers.***

### **3.8.5.2 Incomplete personnel files**

The Audit Commission report on review of employees’ administrative files revealed that there are some missing documents in the personnel files of **4** staff as indicated in the Table below.

**Table 3.8.5: Incomplete personnel files**

<b>S/N</b>	<b>Name</b>	<b>Position</b>	<b>Missing documents</b>
<b>1</b>	Ms. Dorine Rwehera	KFW Officer	Medical certificates of fitness for service;
<b>2</b>	Mr. Heilemichael Asrat	M&E Officer- EASTRIP	Confirmation
<b>3</b>	Dr. Salome Guchu	Principal Innovations and Outreach OfficerP3	Medical certificates of fitness for service
<b>4</b>	Mr. Bernd Fredrich	GIZ/ICT Expert	medical certificates of fitness for service; declaration of next of kin

Management reported that IUCEA uses physical and online record keeping concurrently and this has caused some of documentations missing either on physical or online records. Going forward, management committed to ensuring that all physical files contain all required documentation.

### **Committee Observation**

Incomplete personnel file may serve as an indicator of weak control system over the IUCEA personnel and it is associated with the risk of employing the employees without complying the requirements as per staff rules and regulations.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management completes the personnel files as required by the rules and regulations for further use.***

### **3.8.5.3 Staff allowance paid to staff without evidence of admission letters by schools**

The Audit Commission noted that five staff received the maximum allowed amount of education allowance, yet the requisite documents specified in Regulation 33 were not in their staff files, raising the presumption that they were never provided. A total of **USD 34,000** was paid as indicated in the Table below.

**Table 3.8.6: staff who received education allowance without submitting admission**

### letters from schools

No	Staff Name	No.of children	Number of birth certificate of children	Number of Letters of admission recognised education and Academic Institutions	of Allowance Amount received (USD)
1	IMMACULATE KEBIRUNGI	3	3	2	6,000
2	ISAAC MWIJUKYE	4	4	3	8,000
3	JULIUS BEKUNDA	4	4	2	8,000
4	NAMPOZA JACQUELINE	4	4	2	8,000
5	SALOME GUCHU	2	2	1	4,000
	<b>Total</b>				<b>34,000</b>

Management reported that all the supporting documents have been attached.

#### Committee Observation

Non-uniform application of Staff Rules and Regulations may create dissatisfaction among staff, owing to unequal treatment.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management complies with Regulation 33 of the Staff Rules and Regulations prior to payment of education allowance to staff.***

### 3.8.6 REVIEW OF BUDGET PERFORMANCE

#### 3.8.6.1 Under Absorption of budgeted funds

The Audit Commission noted that IUCEA had an approved budget of **USD 14,945,004** voted for the financial year ended 30 June 2023 comprising contribution from Partner States and funds from Development Partners. During the financial year, a total of **USD 10,900,589** was received from the above highlighted sources to fund the approved activities of the IUCEA. We sampled 15 Departments/ unites/ projects with 104 activities with a budget of USD 6,120,923 and noted that only USD 1,557,093 was utilized representing 25% underutilization. This was attributed to late remittances of funds.

Management committed to always continue to engage Partner States and Development Partners for timely submission of funds so that planned activities are implemented.

#### Committee Observation

Failure to implement planned activities implies that intended objectives will not be achieved.

#### Committee Recommendation

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management continuously engages the Partner States and makes follow up with Development Partners to speed up funds submission as well as ensuring***

***effective and efficient utilization of submitted funds.***

**3.8.7 REVIEW OF PROCUREMENT PROCEDURES**

**3.8.7.1 Irregularity noted in review of tender for construction of IUCEA Headquarters Phase II**

The Audit Commission reported that on 28 April 2023, IUCEA awarded a tender for construction of IUCEA Headquarter phase II to Seyani Brothers &Co.(U)Ltd. The contract of **USD 8,442,801.61(VAT inclusive)** was signed between IUCEA and the above contractor. The contract period was to run from 14 September, 2023 to 15 December, 2024. The tender was evaluated by 2 evaluation committees as follows: 1<sup>st</sup> evaluation committee was composed by 6 members and 3 support members and The 2<sup>nd</sup> re-evaluation committee was composed by 7 members and 4 support members. However, review of tendering process of the above tender noted the following irregularity:

**Exception raised by tender committee contrary to the bidding document requirement**

On 18 February 2023, the first evaluation committee after the tender evaluation concluded that Ambitious Construction Company Limited was the best bidder and recommended to be awarded a tender of construction of IUCEA headquarter phase II at the price of **USD 8,349,766.28 (VAT inclusive)**. In the evaluation report, they put an emphasis that due diligence be undertaken to confirm the current soundness of the financial position of the successful bidder. However, on 6 April 2023, IUCEA tender committee based on the emphasis raised by the first evaluation committee recommended to do a re-evaluation of the tender without conducting due diligence. It is important to note that the criteria of cash flow statements reflecting net balance of USD 2,000,000 was optional in the bidding document in case the line credit provided by the Ambitious Construction Company Limited was sufficient (it had 2 credit lines (USD 17,387,895 from Bank of Africa and USD 11,084,210 from Absa bank). It is worth to note management appointed a second evaluation committee on 6 April 2023 and on 24 April 2023, the second evaluation committee recommended to award tender to Seyani Brothers and Company (u) Ltd at the price of **USD 8,442,801.61** as the first recommended company Ambitious Construction Company Limited was eliminated at administrative evaluation by indicating that it has provided invalid Power of Attorney.

Management reported that the procurement of the contractor for IUCEA Headquarters Phase II was done with transparency in full compliance with the IUCEA Procurement Policies and Procedures Manual 2014. The Procurement and Tender Committee deliberated on the first evaluation report and made the following observations: The Procurement & Tender Committee was satisfied that the Evaluation Committee had evaluated the two bidders in accordance with the criteria as set out in the bidding documents. The Procurement Committee noted with satisfaction on how the Evaluation Committee had assessed the bids except on one aspect of Historical Financial Performance of Ambitious Construction Company Limited, where the Evaluation Committee expressed its decision with ambiguity in the following words "This requirement having been reported as compliant at the prequalification stage, the Evaluation Committee based on the above observation advises that due diligence be undertaken to confirm the current soundness of the financial position of Ambitious Construction Company Limited". There was no clarity whether the bidder was found compliant/responsive or not.

Based on the foregoing observations, the Procurement and Tender Committee recommended that; the decision of the Evaluation Committee on Historical Financial Performance of Ambitious Construction Company Limited was dressed in ambiguity and did not expressly guide the Procurement and Tender Committee whether the bidder was found compliant/responsive or not; in the face of such ambiguity, the Procurement and Tender recommended a re-evaluation of the two bids. It was the above reasons that motivated the need for a re-evaluation of the bids. The methodology used for evaluation was Technical

Compliance Selection (TCS), starting with Preliminary Examination of the eligibility of bidders. The final decision of Preliminary Examination of Eligibility of bidders is that M/S Seyani Brothers and Company limited was compliant and passed to the next stage while Ambitious Construction Company Limited was non-compliant with the Preliminary Examination of Eligibility and thus failed. The Evaluation Committee noted in their report that Ambitious Construction Company Limited was examined as non-compliant based on an invalid Power of Attorney. In performing the evaluation with due diligence, the second Evaluation Committee recommended to award the contract to Seyani Brothers and company (U) limited subject to Negotiation as per negotiation plan that was attached in the evaluation report. The Contract for the construction of Phase II of the IUCEA Headquarters was therefore awarded to and signed with the best evaluated bidder M/S Seyani Brothers and Company limited as recommended by the IUCEA Procurement and Tender Committee.

### **Committee Observation**

Awarding tender without complying the criteria or requirement stated in tender document undermines the fundamental principles of accountability, transparency and fairness in the management of IUCEA funds.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management fully complies with the existing procurement laws and regulations to enhance compliance, objectivity, transparency and attainment of value for money and tenders awarded comply with the criteria set in the tender document.***

### **3.8.7.2 Failure to link the procurement plan and the procurement execution report**

The Audit Commission noted that the description of most of the procurements executed does not correspond with the description included on the procurement plan for the year 2022-2023. Only, two tenders have the same description. It is worth to note that the procurement plan has 76 tenders while the procurement execution report reported 114 tenders.

Management reported that both the procurement plan and the execution report have been improved. The annual procurement plan is now directly linked to action reports, enhancing accountability and alignment between planned activities and implementation.

### **Committee Observation**

It is difficult to assess if all planned tenders were executed. Further, it denies management the opportunity to monitor and measure the procurement unit's performance.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management links the description of procurement executed with the description included in the procurement plan for proper action.***

## **3.8.8 REVIEW OF CONTRACT MANAGEMENT**

### **3.8.8.1 Irregularity noted in review of contract of construction of IUCEA HQ Phase II**

The Audit Commission reported that on 19<sup>th</sup> June 2023, a contract of **USD 8,442,801.61(VAT inclusive)** was signed between IUCEA and the SEYANI BROTHERS & COMPANY limited relating to construction of IUCEA HQ phase II. The execution period was

**15 months** starting from 14 September 2023 (30 days after site handover and payment of advance). Hence, the expected completion date will be on 15 December 2024. The Audit Commission noted that some were activities behind schedule. The overall execution rate as per progress report of supervising company was **3%** as per October 2023 and our estimation at **4%** at the time of inspection.



**Photo showing the status of basement and ground floor (main hall). Taken by Audit Commission on 20 November 2023.**

Management reported that the delay in execution of planned work was due to the weather conditions and the nature of the foundation works which were going on. Foundation works of a storied structure cannot be done on saturated soil. Contractor promised to recover time lost during the rains by working longer hours, hiring more workforce, and assigning independent team to each structure.

#### **Committee Observation**

There is a potential delay in the execution works. Hence, the intended objectives may not be achieved on time.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management emphasises proper follow up and monitoring of the execution of works and expedites the execution of the outstanding works to enable that all the works are completed within the agreed timeline.***

#### **3.8.8.1 Delay to provide the monthly progress report from the supervising company on the construction works of IUCEA HQ**

The Audit Commission reported that on 1 November 2021, a consultant contract was signed between IUCEA and SYMBION UGANDA LIMITED. The purpose of the contract was design and construction supervision of the construction works. The contract amount was **USD 382,681.08** (lumpsum) VAT inclusive. However, the audit commission noted delay of 3 months in submitting monthly progress supervision report as it was submitted on 23

November 2023 yet the contract implementation started in August 2023. It is worth to note that the 44th Ordinary meeting of the Council of Ministers held from 18<sup>th</sup>- 22<sup>nd</sup> November 2023 noted that IUCEA has not been submitting progress reports on the Construction of the Conference facility using resources from arrears and it was recommended that these reports should be submitted until the project is complete.

Management reported that it followed up with the consultant and managed to obtain 2 months reports with delay. Going forward, IUCEA committed to ensure these reports are submitted on time.

#### **Committee Observation**

Delay in providing monthly progress supervision report is an indication that this contract is not properly monitored. Hence, risk of doing substandard work and delay.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management makes a close follow up on consultant and ensures that required reports as per contract are provided and verified accordingly.***

### **3.8.9 REVIEW OF CORPORATE GOVERNANCE**

#### **3.8.9.1 Weaknesses noted in the Monitoring and Evaluation of the strategic plan**

The Audit Commission reported that the evaluation of the IUCEA strategic plan 2021-2026 was not undertaken and neither was there evidence progress of sourcing the external evaluator. Further, the Audit Commission was not availed with these progress reports or the updated indicator matrix making it hard to assess the progress of the implementation of the strategic plan.

Management reported that it has established a framework through an annual calendar of activities, where heads of departments update the status of their respective tasks. Each department provides progress updates during the monthly meetings. In addition, a mid-term review of the strategic plan is conducted to assess implementation and alignment with organizational goals.

#### **Committee Observation**

It was therefore not possible to assess the performance of IUCEA vis a vis to the strategic plan. Further, the strategic plan was not properly monitored.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management prepares strategic plan implementation monitoring reports and fast tracks the midterm assessment.***

### **3.8.10 REVIEW OF STOCK MANAGEMENT**

#### **3.8.10.1 Weaknesses noted in management of stock items**

During the year under review, IUCEA purchased stock items amounting to **UGX 74,044,890** equivalent to **USD 20,159.24**. However, the following irregularities were noted in review of stock management:

#### **Failure to maintain a comprehensive records of stock items**

We noted that IUCEA does not have a comprehensive record of all stock items purchased, the

ones received, stored and issued from store. The only document presented is a good received note booklet with 2 copies of the original issued to the supplier.

**Failure to maintain a requisition forms duly approved**

The Audit Commission noted that IUCEA do not have a requisition notes duly approved indicating the person who requested stock item and the appropriate approval by his/her supervisor. The only documents they have is a stores requisition booklet where they recorded some stock items, the title of the receiver, quantity requested and the one received and the signature.

**Failure to prepare a monthly and annual stock reports**

The Audit Commission was not provided monthly and annual stock report showing the items purchased the year, the one consumed and the remaining one with their cost.

**Failure to conduct physical count of stock items**

The Audit Commission noted that no stock count conducted during the year under review.

Management noted the observation by the Audit Commission. Going forward, management committed to implementing the recommendation by ensuring that stock management is in line with the IUCEA Financial Rules and Regulations, 2014.

**Committee Observation**

Due to the irregularities raised above, the audit could not confirm their daily usage. Further, any loss or misappropriation could not easily be identified.

**Recommendation**

IUCEA management should put in place mechanism to manage stock items to avoid any loss or mismanagement that might be happen. Further, IUCEA management should ensure that complete documents and record are maintained for proper management of community funds.

**Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management to:***

- i. Put in place mechanism to manage stock items to avoid any loss or mismanagement that might be happen; and*
- ii. Ensure that complete documents and record are maintained for proper management of community funds.*

**3.8.11 REVIEW OF FIXED ASSETS MANAGEMENT**

**3.8.11.1 Failure to include Assets identification in the fixed assets register**

The Audit Commission noted that there were **353** out of **398** (representing 89%) assets included in the fixed assets register which did not have asset identification codes, source of the property, their location and condition.

**Table 3.8.7: Assets included in the fixed assets register without asset identification number**

<b>Items</b>	<b>Number of assets not engraved</b>	<b>Number of assets held by IUCEA</b>
Computers equipment	109	133
Office furniture	157	176
Office equipment	70	72
Telecommunication equipment	17	17
<b>Total</b>	<b>353</b>	<b>398</b>

Management noted the Audit Commission's recommendations and committed to updating the Fixed Asset Register.

#### **Committee Observation**

Without keeping and updating a detailed and comprehensive assets register, it is difficult to ascertain that the assets are sufficiently monitored and serviced regularly. Thus, IUCEA assets may be misappropriated, pilfered or stolen without prompt detection by management.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management updates the assets register to include all the required information accurately and codifies all assets maintained for easy tracking by users.***

#### **3.8.11.2 Absence of disposal plan for obsolete and damaged assets kept at IUCEA**

Contrary to Regulation 85 of IUCEA Financial Rules and Regulations 2014, the Audit Commission noted that different assets which are obsolete or damaged are still kept in two IUCEA containers without any disposal plan of these assets in place through auction by IUCEA to resolve this issue.

Management noted the Audit Commission observation and going forward committed to implement the recommendation.

#### **Committee Observation**

Failure to dispose of damaged assets/materials in reasonable time exposes them to the risk of more deterioration. Consequently, IUCEA may fail to recover any possible resale value from these damaged assets if it continues to hold them for long period.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management comes up with a disposal plan for items that were identified for disposal to avoid further deterioration in value.***

#### **3.8.11.3 Absence of annual revaluation assessment of assets**

The Audit Commission on review of fixed assets register revealed that there were 233 fixed assets with acquisition cost of USD 608,525 which were fully depreciated during the year under review and they need a revaluation. However, the Audit Commission was not provided with the annual revaluation assessment of these assets.

Management acknowledged observation by the Audit Commission and committed to comply with Financial Policies and Procedures manual in management of assets by conducting annual assets revaluation.

#### **Committee Observation**

The reported fixed assets balance in the financial statements may be misstated.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management complies with the financial policies and procedures manual in***

**management of assets and ensures that the revaluation of assets is conducted.**

### **3.8.11.4 Irregularities noted in review of insurance contract of IUCEA Building Expired insurance policy**

The Audit Commission noted that the insurance for IUCEA building, car parking shades, furniture and related accessories was expired 9 months ago at the time of Audit in December 2023. Therefore, any damages, fire will not cover by the insurance company.

**Table 3.8.7: Breakdown of expired insurance policy:**

From	To	Property insured	Sum insured USD
<b>17/03/2022</b>	<b>17/03/2023</b>	Headquarter building	1,445,336.26
		Car parking shades	5,969.72
		Furniture and related accessories	27,379.95
		<b>Total</b>	<b>1,478,685.95</b>

### **Value of building and movable assets recorded in the fixed assets register differ from the Insurance Contract**

IUCEA signed contract agreement with Jubilee General insurance for insurance of IUCEA building, car parking shade, furniture and related accessories. However, the insurance policy indicated the insured assets above had a value of USD 1,478,685.95 covering the period from 17 March 2022 to 17 March 2023. However, the review of assets register noted that the value of building, and car parking shade recorded in assets register worth USD 1,728,795 are different from the value of insured building. Further, it was noted that, the insured value was for the assets register for the year ended 30 June 2019. Therefore, the audit was not provided any explanation why there was any revaluation report of the assets to reflect the market value of these insured assets.

**Table 3.8.8: Difference between insurance contract value and fixed assets value**

Description	Acquisition Value as per Assets Register USD	Value as Per Insurance Contract (Building, Movable Assets) USD	Difference USD
	<b>A</b>	<b>B</b>	<b>C= ( A-B)</b>
<b>IUCEA Building and car parking shades</b>	1,728,795	1,478,685.95	250,109.05

In addition, the audit noted that the list provided to the audit team for furniture and others accessories come from the fixed assets register of 30 June 2019. Therefore, the audit was unable to reconcile them with the ones included in the assets register for the year under review.

Management reported that the Insurance Policy for the building was initially procured using the asset value as at June 30, 2019, for the period of two years and renewed for up to March 2023. However, the list of furniture and other accessories insured was not updated to include the fixed assets acquired in that particular financial year. Going forward, management committed to implementing the audit recommendations by the Audit Commission.

### **Committee Observation**

The irregularities noted above is an indication that some assets held be IUCEA management is not properly monitored. Further, in case of fire or any other loss, IUCEA will lose.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management makes a proper follow up of the above case and renews the insurance contract by basing on the market price of assets.***

### **3.8.12 REVIEW OF INTERNAL CONTROL**

#### **3.8.12.1 Failure to meet on regular basis by the Audit Committee**

According to the section 5.2 of Audit Committee charter states that the Audit Committee should meet as necessary, but at least twice a year to enable it to fulfil its responsibilities. The Audit Commission noted that during the year under review, the Audit Committee did not meet twice a year as required. It was met once.

Management promised to hold regular meetings as provided for by the Charter and with effect from financial year (2023/2024), all the meetings shall be convened as per plan.

### **Committee Observation**

IUCEA management did not benefit from the oversight function of the appointed members of the Audit Committee and is an indicator that the Committee did not operate effectively to achieve its mandate.

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management convenes meetings on regular basis in order to enable the Audit Committee effectively exercise its oversight role in the management of Council operations.***

### **3.8.13 REVIEW OF FUNDING AGREEMENT FROM DEVELOPMENT PARTNERS**

#### **3.8.13.1 REVIEW OF ACE II PROJECT IMPLEMENTATION STATUS**

##### **Absorption rate of ACEII funds**

The Audit Commission reported that in May 2016, the IUCEA and International Development Association signed a grant agreement of SDR 5,800,0000 to strengthen Eastern and Southern Africa Higher Education Council through ACEII project. The disbursement period was six (6) years from May 2016 to December 2022. On 8 July 2022, the project got addition funding of SDR 7,500,000 and the execution period was extended up to 31 December 2025. The Audit Commission noted a low absorption rate whereby during the financial year under review, USD 2,752,198 was disbursed for project activities in addition to the brought forward balance of USD 115,973 making a total of USD 2,868,171 available for project implementation. However, IUCEA utilized only USD 1,077,474 (38%) and a balance of USD 1,790,697(62%) remained un-utilized by the close of the financial year. As result, the project progress report indicates some of the activities/indicators as examples which were not implemented as planned. The audit was not provided any explanation why these activities were not executed.

Management reported that during the year under review, the project planned to procure the service of a Regional Technical Organization to enhance and foster regional network of agriculture higher education institutions (AHEIs) through knowledge exchange and facilitating staff and student mobility; enhance and foster regional network of agriculture higher education institutions (AHEIs) through knowledge exchange and facilitating staff and student

mobility; support the building of a regional network of agriculture higher education institutions, to provide a common space for the exchange of innovative ideas and facilitation of collaborative dialogue; Facilitate the establishment of a think-tank at IUCEA to promote knowledge generation, regional policy development, collaboration, and advocacy in higher education in general and agri-food systems in particular; and Support and facilitate the establishment of business incubation and acceleration centers. IUCEA received both the technical and financial proposal as per the ToRs. Unfortunately, the proposal failed to meet technical compliances and thus advised for resubmission. This delayed the procurement process and subsequently affected the absorption of funds. IUCEA has positively evaluated the revised proposal expecting enhanced absorption of funds after the signing of the contract.

### **Committee Observation**

The failure to absorb funds implies that a number of the planned activities were not implemented and this negatively affected the attainment of project objective.

### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management:***

- i. Further analyses the cause of the delay in project activity implementation and address it accordingly; and***
- ii. Carries out frequent progress checks in order to quickly identify any delays and take necessary actions to address the causes.***

### **3.8.13.2 REVIEW OF IMPLEMENTATION OF THE EAST AFRICA SKILLS TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (EASTRIP)**

#### **Disbursement of EASTRIP's funds**

The Audit Commission reported that on 28 November 2028, the IUCEA and International Development Association signed a Grant Agreement of SDR 5,800,0000 to increase the access and improve the quality of TVET programs in selected regional flagship TVET institutes and to support regional integration in East Africa under EASTRIP. The disbursement period was six (6) years from 26 November 2018 to 31 December 2024. The Audit Commission noted a low disbursement rate of 59% as out of expected fund to be disbursed of USD 8,000,000 only USD 4,757,138 was disbursed yet the project had only one year to close. Further, it is indicated under Section 2.03 of the funding agreement that annual financing remaining balances have been attracting a commitment charge of one half of one percent ( $\frac{1}{2}\%$  of 1%). However, the Audit Commission was not provided any information regarding who will pay the commitment charges. As result, the project progress report indicates some of the activities/indicators that are below 75% full implementation.

The observations have been noted, however during the 7<sup>th</sup> Technical Advisory Meeting (TAM) of EASTRIP, IUCEA as the Regional Facilitation Unit (RFU) of the project was urged to be vigilant and observant of the operational costs in view of the fact that there is a possibility of extension of the project of about two years, which is expected to be a two-year NO cost extension (attached approved 2-year extension budget), Furthermore, it should be noted that, the disbursement and absorption of project funds were both seriously affected by the effects of Covid-19 travel restrictions. This is due to the fact that most of regional activities that IUCEA organizes as the RFU involves travel of participants on the principle of rotation to the three participating countries, that is, Ethiopia, Kenya and Tanzania. During Covid-19 lockdown, most of physical meetings were not held and instead they were held using virtual platforms, thus most of the budgeted funds were not utilized. Practically speaking, some of the unspent funds are due to savings from some of the activities which the Project Implementation Unit (PIU) at

IUCEA managed to achieve by planning some of the activities innovatively that resulted in some savings. This include the development of the Regional TVET Qualifications Framework and Occupational Standards for Ethiopia, Kenya and Tanzania. In the original plan and budget, it was intended to hire two separate consultants to facilitate the process on different times, but during the implementation stage, negotiations were made with one consultant who carried both activities in one round of activities and this resulted in the saving of money to the tune of about USD 1M. The savings from these activities will be utilized during the No Cost extension period. The commitment charge indicated on the Financing Agreement has not been charged to the project since it's a grant and not a credit facility. Despite of the above observations, it should be noted that in terms of project performance at RFU level, all planned activities presented in the progress report are for the overall project activities including those for Component 1 and Component 2, at RFTIs and National Levels. Mostly important to note is that all activities that were planned at RFU level by IUCEA has been implemented while the performance for the national units and individual Regional TVET Flagship institutes that are below 75% are being tracked and expected to be completed to 100% implementation within project extension time. For information, negotiations are due to be completed between the World Bank and the three countries on the extension of the project and that the decision is expected to be made and announced by the World Bank during the forthcoming TAM in December 2023. Ultimately, the extension of the project will also cover the Financing Agreement between the World Bank and IUCEA.

#### **Committee Observation**

Many project activities have not and may not be achieved as anticipated and this can ultimately hinder the achievement of the project objectives.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management undertakes necessary interventions to expedite the full implementation of the remaining project activities by the project's closing date of 31 December 2024.***

#### **3.8.13.3 REVIEW OF IMPLEMENTATION OF ACTIVITIES FINANCED BY KFW–THE EAST AFRICAN SCHOLARSHIP PROGRAMME**

##### **Project planned activities not executed**

The Audit Commission reported that on 17 April 2018, the Inter- University Council for East Africa (IUCEA), East African Community (EAC),) and the German Development Bank (KFW) entered into a financial corporation worth EUR 5,000,000. The Scholarship Programme aims to contribute towards training leaders that will foster the EAC Regional Integration agenda. The project will end on 31 December 2026. The Audit Commission noted that IUCEA/KFW had an approved budget of USD 1,515,392 for the year ended 30 June 2023. A total of USD 1,202,847 was received from KFW to finance the approved activities. However, it was noted that the project incurred expenditure of USD 884,722, representing 58% of the total budgeted. The Commssion further noted that some of the planned activities of USD 650,699 out of budgeted amount of USD 1,438,725 were not implemented.

Management responded as indicated in the Table below.

**Table 3.8.8: Management response on Project planned activities not executed**

Component	Management Comments
<b>1.SCHOLARSHIP</b>	<p>The activity was fully implemented. However, the budget featured tuition rate of EUR5,000 per year and when requesting for replenishment for one period, the rate used was EUR1,000 for 6 months, which was more realistic in line with the Council of Ministers Directive to universities to charge foreign students from the Region as nationals.</p> <p>Secondly, the budget provided for a full year stipend of EUR380 per month for 100 students across cohorts 2 and 3. However, 11 of the cohort 3 students reported later in the year under review and were paid for only 8 to 7 months depending on their reporting time.</p>
<b>2. Extracurricular activities</b>	The activity was not implemented because the concept to improve the nature of those activities and request to top up were still under discussion with KfW.
<b>3.Capacity Building for EAC staff</b>	The activity was not implemented because the budget was only for IUCEA to support the logistics for the trainings and by the end of the year under review the EAC Secretariat that is the implementer was still finalizing the concept.

**Committee Observation**

Many project activities have not and may not be achieved as anticipated and this can ultimately hinder the achievement of the project objectives.

**Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management undertakes necessary interventions to expedite the full implementation of the remaining project activities as agreed.***

**3.8.14 REVIEW OF INFORMATION SYSTEM****3.8.14.1 Underutilization of Sun system**

The Audit Commission reported that on 12<sup>th</sup>, June 2015, EAC entered into consultancy for Sun Systems procurement, installation and post implementation service for EAC institutions of IUCEA and Civil Aviation Safety and Security Oversight Agency (CASSOA) with Ms. Flaxem System Enterprises Limited at contract sum of USD 103,300. The annual support and maintenance costs are USD 4,224 inclusive of 18% VAT. Modules licensed are: Foundation, Accounting, Fixed-assets Register, Purchase Requisition, Purchase Management, Inventory Management and Info and Query analysis. However, the Audit Commission noted that two (2) out of eight (8) modules are not being used. These comprises of purchase requisition and

inventory management.

Management reported that it engaged Sun System Supplier Flaxcem enterprise to automate the Payment Vouchering processing and the Revenue module for managing contributions from Member universities and Partner States.

#### **Committee Observation**

Failure to operationalize some modules leads to management using manual operations which affects efficiency in its operations, increase operational costs yet prone to human error without audit trails. Moreover, the institution is not realizing value for money for the ICT investment.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management fully implements all the Sun System modules included in the signed contract to realize efficiency in its operations and value for money for the ICT investment.***

#### **3.8.14.2 Failure to automate Human resource processes**

The audit noted that, HR processes such as payrolls, leave plans, etc were not yet automated until the time of the previous audit in November 2022. Yet during the current audit, it was noted that some personnel files were incomplete as some documents were not filled and others were shared on email. The missing hard documents in the personnel files were provided after the closing meeting separately to the submitted personnel files.

Management acknowledged observations by the Audit Commission and clarified that IUCEA was developing ToRs for consultancy work for developing automation of institution business process of HR processes are part to it.

#### **Committee Observation**

HR processes were not properly monitored. There is risk of that some personnel files may be lost or misplaced without being detected.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management automates HR processes as soon as possible to avoid the noted irregularities under HR management.***

#### **3.8.14.3 Failure to use e-procurement system in awarding tenders**

The Audit Commission noted that e-procurement is not yet used by IUCEA in procurement operations.

Management reported that e-procurement was not yet rolled out to institutions as no separate accounts were created for institutions by the service provider. IUCEA Management has no control over the service provider as he was procured by the EAC secretariat.

#### **Committee Observation**

Manual procurement management processes can inhibit the efficiency of IUCEA operations, increase operational costs while being prone to human errors without audit trails. Furthermore, the non-use of the systems acquired by the EAC does not allow the optimization of resources for investments made in ICT.

## **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that IUCEA management considers using e-procurement system in its procurement process for the efficiency of operations, reporting and optimization of resources.***

## **CHAPTER FOUR**

### **4.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS**

#### **4.1 Outstanding Contributions from Partner States**

The Committee observed that a total of **USD 37.9** million remained outstanding from Partner States during the year under review. The Committee further noted that inadequate disbursement of funds by Partner States deprives the Community of essential financial resources and thereby cripples its core operations, which significantly depend on such funding. In addition, the continued increase in contribution arrears hinders the attainment of the Community's strategic objectives, as most of the funds will be redirected to the General Reserve Fund after the designated spending period.

#### **Committee Recommendations**

***The Committee recommends to the Assembly to urge the Council to ensure that EAC Secretariat Management:***

- i. Institutes alternative mechanisms to motivate Partner States to remit their contributions in a timely and adequate manner; and***
- ii. Seeks an audience with the Council of Ministers to solicit contributions and advocate for the Community's financial needs to the Partner States.***

#### **4.2 Absence of Strategic Plans and delays in their timely updating**

The Committee observed that the Strategic Plan of the EACJ expired three years ago, while those of the EAHRC and EAKC expired four years ago. In the absence of valid replacements, these Institutions have continued to operate without this essential planning tool, a situation that is likely to undermine their overall performance and financial management.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct the Management of EACJ, EAHRC and EAKC to fast-track the updating of their Strategic Plans. These Plans should establish clear roadmaps that link high level objectives to operational targets, thereby enabling effective resource allocation, goal alignment, and performance evaluation.***

#### **4.3 Inconsistency on the Deadlines for EAC Budget Approval**

The Committee observed an inconsistency between Regulation 18(5) of the EAC Financial Rules and Regulations, 2012, which requires the Assembly to debate and approve the EAC Budget by 30th June, and Section 2.3.8(e) of the EAC Financial Procedures Manual, 2013, which stipulates that the debate and approval shall take place in May. While Management interprets these provisions to mean the process should occur in May and be finalized by 30th June, such clarity is not evident in the two documents.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to align the EAC Financial Rules and Regulations, 2012, and the EAC Financial Procedures Manual, 2013, with the dates for debate and approval of the EAC Budget, preferably in May, one month before the start of the financial year.***

#### **4.4 Incomplete memberships in Governance Boards/Commissions**

The Committee observed delays by some Partner States in nominating representatives to Governance Boards and Commissions of EAC Institutions such as EASTECO, CASSOA, and EACA. The absence of Board Members/Commissioners from certain Partner States may result in a lack of ownership of the activities and decisions undertaken by those Institutions.

##### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to direct EASTECO, CASSOA, and EACA Management to collaborate with the Secretariat Management in order to fast-track the nomination of Board Members/Commissioners from the remaining Partner States, thereby ensuring the full constitution of the respective Boards and Commissions.***

#### **4.5 Limited Competition culture in the EAC Region**

The Committee observed that the culture of competition within the EAC region remains limited, as Partner States have consistently faced challenges in enacting competition laws and establishing institutions to enforce them. The Committee further noted that this limited competition culture may hinder economic growth in the region.

##### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that EACA management collaborates with Secretariat Management to spearhead deliberations with relevant government officials on the operationalisation of National Competition and Consumer Protection Laws in their respective countries.***

#### **4.6 Irregular Employment for Short-Term Contracts Staff**

The Committee noted that whereas “short-term contracts” in the EAC were used to fill manpower gaps arising from the continued increase in the number of Institutions and the delay in conclusion of the Institutional Review Exercise, Audit revealed weaknesses in the management of short-term contracts including: (i) Lack of approvals on hiring of short-term contract staff from the Council as required by the Regulations;(ii) Lack of guidelines on the engagement of the short-term staff such as competitive recruitment processes and unclear determination of emoluments and benefits for short term staff;(iii) Continued engagement of same staff on short-term contracts for up to ten years in some cases despite the maximum three months Regulation. The Committee observed that the main cause being that the Institutional Review Exercise meant to solve it along with other associated human resource challenges that have dragged on for too long.

##### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the EAC Council to direct the Secretariat Management to Phase out short-term contracts by establishing the positions within the EAC structure and developing a clear road map for their subsequent filling.***

#### **4.7 Non-Implementation of a Performance Contract System**

The Committee observed that the EAC Secretariat had not implemented a performance contract system as directed by the Council, contrary to Regulation 33(3) of the EAC Staff Rules and Regulations (2006). The Committee further noted that the absence of staff evaluations by Management deprives the Community of an objective basis for assessing whether employees can efficiently and effectively perform their assigned duties. As a result, Management faces difficulties in identifying performance challenges that hinder the achievement of the Community's strategic objectives and goals.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that the Secretariat Management strengthens human resource management controls. This should include instituting proper staff evaluations and implementing result-oriented measures to enhance the attainment of the Community's strategic goals.***

#### **4.8 Adequacy of Budgetary Allocation to Fund EALA's Mandate**

The Committee observed that a total of **USD 104,842,466** was projected as the required resources for the implementation of the Strategic Plan (2019–2024). However, EALA's budget trend over the three years of the Plan has not aligned with these resource requirements. The annual underfunding has increased from **USD 3.16 million** in the 2020/2021 financial year to **USD 5.4 million** in the 2023/2024 financial year. The Committee further noted that this persistent underfunding negatively affects EALA's ability to deliver on its planned activities, thereby curtailing the effective execution of its mandate.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to allocate funds commensurate with EALA's planned activities, thereby enabling it to fully deliver on its mandate.***

#### **4.9 Fully Depreciated Assets Still in Use**

The Committee observed that, contrary to Section 8.1.4.3(c) of the Financial Procedures Manual (2013), some assets were fully depreciated despite being in active use and in excellent condition across the EAC Organs and Institutions. The Committee further noted that the failure to reassess the useful life of these assets may result in an understatement of their net book values.

#### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council to ensure that the Management of EAC Organs and Institutions conduct comprehensive reassessments of the useful life of all assets. Subsequent adjustments should be made to the financial statements so that the recorded values accurately reflect their ongoing utility and present a true and fair view of the Organizations' financial position.***

#### **5.0 Conclusion**

The Committee noted that the insufficient number of Council meetings, as provided for under Article 15(1) of the Treaty, has resulted in the non-implementation of audit recommendations

and delays in decision-making, thereby underscoring the need for the Council to increase the frequency of its meetings to effectively address this challenge

### **6.0 Acknowledgments**

The Committee wishes to thank the Rt. Hon. Speaker, the Clerk, the Audit Commission and the Management of the various Organs and Institutions for the excellent facilitation accorded to it while executing its mandate.