



EAST AFRICAN COMMUNITY
EAST AFRICAN LEGISLATIVE ASSEMBLY

**REPORT OF THE COMMITTEE ON ACCOUNTS
ON THE AUDITED ACCOUNTS OF THE EAST AFRICAN COMMUNITY
FOR THE YEAR ENDED 30TH JUNE, 2020**

(15TH -28TH MAY 2022, ARUSHA, TANZANIA)

**Clerk's Chambers
3rd Floor, EALA Wing
EAC Headquarters' Building
Arusha, TANZANIA**

October, 2022

LIST OF ACRONYMS AND ABBREVIATIONS

CASSOA	Civil Aviation Safety and Security Oversight Agency
DPs	Development Partners
EACA	East African Competition Authority
EACS	The East African Community Secretariat
EACJ	The East African Court of Justice
EALA	The East African Legislative Assembly
IUCEA	Inter University Council of East Africa
LVBC	Lake Victoria Basin Commission
LVFO	Lake Victoria Fisheries Organization
EAKC	The East African Kiswahili Commission
EAHRC	East African Health Research Commission
EASTCO	East African Science and Technology Commission
RV	Research Vessel

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1.0 INTRODUCTION

According to Article 134 (3) of the Treaty for the Establishment of the East African Community in compliance with Rule 74 (1), Rule 81 (C) annex 5(A) of the rules of procedure of the Assembly, the Committee on Accounts undertook a committee activity in Arusha, Tanzania from 15th – 28th May 2022. The objective of this activity was to receive, consider and scrutinize the Audited Accounts of the following East African Community (EAC) Organs, Institutions, Agencies and Projects for the Financial Year ended 30th June, 2020;

- i. The East African Community Secretariat (EACS);
- ii. The East African Legislative Assembly (EALA);
- iii. The East African Court of Justice (EACJ);
- iv. The East African Lake Victoria Basin Commission (LVBC);
- v. The East African Lake Victoria Fisheries Organization (LVFO);
- vi. The Inter University Council of East Africa (IUCEA);
- vii. The East African Civil Aviation Safety and Security Oversight Agency (CASSOA);
- viii. The East African Kiswahili Commission (EAKC);
- ix. The East African Health Research Commission (EAHRC);
- x. The East African Science and Technology Commission (EASTCO);
- xi. The East African Competition Authority (EACA).

The Report covers the committee's findings, observations and recommendations on the main issues raised. It is divided into three (3) parts as follows;

Part I: Key Audit findings on the financial statements of the EAC Organs and Institutions, Projects and Programmes for the year ended 30th June, 2020;

Part II: General Observations and Recommendations

Part III: Conclusion and Acknowledgements.

2.0 METHODOLOGY

While undertaking this activity, the committee used the following methodology in analysing and reviewing the audited accounts:

The Following documents were reviewed: -

- i. The Treaty for the Establishment the East African Community;
- ii. The 5th EAC Development Strategy;
- iii. The Strategic Plans of the East African Community Organs and Institutions;
- iv. The Rules of Procedure of the East African Legislative Assembly;
- v. The EAC Financial Rules and Regulations;
- vi. The Council decisions;
- vii. The EAC Staff Rules and Regulations;
- viii. The Audit Commission Reports on the Accounts of the EAC Organs, Institutions and Programmes for the year ended 30th June 2020.

The Committee interacted with members of the Audit Commission and management teams of the EAC Organs, Institutions and projects.

PART 1

3.0 KEY AUDIT FINDINGS ON THE FINANCIAL STATEMENTS OF THE EAC ORGANS, INSTITUTIONS PROJECTS AND PROGRAMMEES.

The Accounts Committee reviewed and considered the Audit Commission report on the Financial Statements of the East African Community Organs and Institutions for the year ended 30th June 2020. During this review, issues were presented and thoroughly examined. From the interaction with the various stakeholders, the Committee generated various observations and recommendations for adoption by the House.

The budget of EAC for the Financial Year ended 2019/2020 was mainly funded through Partner States contributions and Development Partners support. The activities of the Community during the year under review were funded by a budgetary appropriation of USD119.14 million and Development Partner's contribution which accounted for about 48% of the budget.

The EAC Institutions, Organs, Projects and Programmes continue to face challenges of low budget absorption due to delayed or non-remittance of funds from Partner States. It's critically important that enhanced budgetary planning, coherence and consistency be upgraded to be able to mobilize, plan and budget for the EAC resources.

Unqualified opinion for all EAC Organs, Institutions, and projects audited for the period ended 30th June, 2020 was issued. This means that these financial statements present fairly in all material aspects of the financial position of the entities as at 30th June, 2020. The Committee appreciates the improvement by all Organs and Institutions for the high-level financial prudence in the administration and usage of the resources that are put under their disposal.

During the EAC IT audit, it was observed that EAC computer and networks remain vulnerable and highly exposed to unauthorized parties. This scenario causes cyber risks and needs to be fully reversed by installing additional security features.

The Committee remains concerned about the slow/non-implementation of the previous audit recommendations; non-provision of quarterly reports to the Assembly as recommended in previous reports.

Although Council has attempted to address the challenges of manpower in EAC Organs and Institutions, the slow and lengthy recruitment exercises remain a concern to the Committee. Several vacant positions still not filled have remained a huge challenge towards the implementation of the integration agenda.

Procurement processes in the EAC Organs and Institutions remain a challenge, the Committee observed continued breach of procurement procedures and other irregularities in awarding of tenders.

Gross irregularities and delays were noted in recruitment of project staff which have delayed project implementation and in other instances donors withdrawing the funding due to slow start of the implementation of the donor programs.

The Committee undertook an activity and travelled to Mwanza to assess the mechanical conditions RV Jumuiya. Although progress has been made towards revamping the vessel, It's the considered opinion of the Committee that the exercise of revamping the vessel be fast-tracked.

Increased accumulation of VAT refundable remain a huge challenge. Further concern was that EAC Organs and Institutions have literally failed to recover from Revenue Authorities of Partner States accumulated VAT refunds, leading to forfeiture of activities that could have been undertaken using these VAT resources. This process has also been hampered by the fact that the Protocol on privileges and immunities is yet to be concluded and finalized. Council should fast track the ratification.

Although the institutional review process has been a persistent problem at EAC, the Committee was informed that it's in its final stages since its launch ten years ago. Many programs and activities of the Institutions and Organs are dependent on its recommendations. Council is hereby urged to conclude this very important matter and take into account the views of the Organs and Institutions.

The Committee was still concerned that the Council has abdicated its responsibility of growing the EAC budget to cater for expansion in critical activities and left the decision-making process on the budget to a Committee of Finance and Administration. Many of these members of F/A are more concerned with arbitrary budget cuts and activities at the expense of facilitating the EAC to achieve its noble mandate. From the aging analysis of the EAC budget over the last five years, it's clear that the EAC budget is on a down ward trend.

It is therefore important for the Council to take up its responsibility and hand budget ceilings to the EAC well in advance and the role of F/A Committee should be relegated to reviewing and finetuning Annual Operational Plans and not budget cutting.

Nevertheless, the financial statements presented a fair position in all the material aspects for the EAC Organs and Institutions for the year ended 30th June 2020.

PART 11

4.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

1. EAC's Budgetary and Expenditure Review

Funding Sources

The budget of EAC is mainly funded through Partner States contributions and Development Partners support. The activities of the Community during the year under review were funded by a budgetary appropriation of USD 119.14. Development Partner's contribution which accounted for about 48% of the budget

2. Remittance of Annual Partner States Contribution

Partner States Contribution of USD 32.88 million remained unremitted for 2019/2020 compared to USD 29.59 million in 2018/2019 as depicted below. Out of the total amount, USD 19.98 million or 61% was due from Republic of South Sudan.

Table 1: Remittance of Annual Partner States Contribution

Partner State	Arrears	Contribution Due 2018/19 (USD)	Contribution Paid 2018/19 (USD)	% Paid	Total Outstanding (USD)
Republic of Burundi	6,429,848	10,013,725	9,184,982	56%	7,258,591
Republic of Kenya	0	10,013,725	9,545,755	95%	467,970
Republic of Rwanda	2,785,519	9,498,514	9,028,569	73%	3,255,464
Republic of South Sudan	18,775,131	9,498,514	8,298,574	29%	19,975,071
United Republic of Tanzania	15,286	10,013,725	9,543,780	95%	485,231
Republic of Uganda	973,876	10,013,725	9,553,712	87%	1,433,889
Total	28,979,660	59,051,929	55,155,372	63%	32,876,217

3. Budget Performance

During the year under review, the total approved budget of the Community was USD 115.92 million. However, the Organs and Institutions of the Community (excluding CASSOA) managed to absorb only USD 61.90 million representing an overall absorption rate of 53%. This means that the Community did not implement almost half of its planned activities during the year under review.

Table 2: **Budget Performance**

SN	Organ/Institution	Budget (USD)	Actual (USD)	Variance (USD)	Absorption Rate
1	EAC Secretariat	56,773,950	26,746,740	30,027,210	47%
2	East African Court of Justice	4,225,244	3,091,230	1,134,014	73%
3	East African Legislative Assembly	18,973,848	14,649,758	4,324,090	77%
4	Lake Victoria Basin Commission	14,319,833	4,415,233	9,904,600	31%
5	East African Science and Technology Commission	1,984,639	1,428,982	555,657	72%
6	East Africa Kiswahili Commission	1,474,775	793,393	681,382	54%
7	East Africa Health Research Commission	4,062,473	1,275,006	2,787,467	31%
8	East African Competition Authority	786,970	459,959	327,011	58%
9	The Inter University Council for East Africa	10,209,657	7,046,285	3,163,372	69%
10	Lake Victoria Fisheries Organization	3,108,675	1,989,027	1,119,648	64%
	Total Appropriation	115,920,064	61,895,613	54,024,451	53%

N.B EAC budget does not include CASSOA due to the nature of its operations.

4. Partner States Contribution

The Partner States' annual contributions changed over the last five (5) years with a 41% increase from USD 41.89 million in 2015/16 to USD 59.05 million in 2019/20 as shown below. It was noted that the contributions paid have been diminishing leading to an increase in contributions outstanding from USD 8.99 million in 2015/2016 to USD 15.28 million in 2019/2020. This means that the EAC cannot properly plan and implement its activities which may negatively affect delivery of its mandate. See table below;

Table 3 Partner States Contributions Trend

Financial Years	Due	Paid	Outstanding
FY 2015/16	41,890,538	32,905,209	8,985,329
FY 2016/17	41,890,538	34,039,646	7,850,892
FY 2017/18	57,381,545	37,291,141	20,090,404
FY 2018/19	61,184,488	31,592,128	29,592,360
FY 2019/20	59,051,929	43,776,588	15,275,341

Further, there was accumulation of outstanding bills from suppliers and other creditors both emanating from delay and non-submission of budgeted funds. The funding shortages significantly impacted negatively on the activities of the Community and its relationship with suppliers.

The Committee recommends to the Assembly to urge the Council of Ministers to speed up the long-awaited sustainable funding mechanism.

5. Development Partners (DPs) Contributions

Receipts from Development Partners have been declining from USD 27.36 million in 2015/16 to USD 18.12 million in 2019/20 representing a 34% decrease in funding despite a minor increase from USD 17.72 million reported in 2018/19. This implies that some of the activities that were to be implemented using Development Partners support have not been implemented. The absorption of funds from Development Partners' funds has also been noted to be low.

Table 4 showing trend of Development Partners Support to EAC

Financial Year	Budget amount (USD)	Total Receipt (USD)
2015/16	59,863,726	27,361,027
2016/17	48,864,114	14,941,385
2017/18	57,717,228	20,074,154
2018/19	45,143,061	17,721,028
2019/20	57,119,358	18,119,025

The Audit Commission reported that a total of USD 399,381 was returned to Development Partners during the financial year ended 30th June 2020. The funds related to four projects that were closed without full utilization. The situation was attributed to failure to maximize the planned use of budgeted funds by EAC management coupled by the late disbursements.

Committee Observation

The Committee noted that returning funds without allocating them to the activities they were intended for indicates inefficiencies which could impact future negotiations to fund EAC activities as Development Partners morale might be discouraged.

Committee Recommendations

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the management of EAC enhance better planning to ensure that the solicited funds from development partners are put to full use.

6. Status of Implementation of Previous Audit Recommendations

From the assessment of recommendations made by the Audit Commission in the previous years, Audit Commission noted that on average only 30% of the previous audit recommendations were fully implemented, 28% were under implementation, while 41% were not implemented at all.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that it;

- i. ***compels all the Organs and Institutions of EAC to implement all outstanding recommendations such that the deficiencies and weaknesses which led to those recommendations are addressed.***
- ii. ***Implements the previous Council proposal of forming up the Committee of implementation.***

7 Delays in operationalization of the Pillars of EAC Integration

The Audit Commission reported that three (3) out of four (4) pillars for EAC integration do not have road maps with specific timelines indicating when the respective milestones will be implemented. It is only the Monetary Union that has met this condition out of all four pillars.

The Audit Commission further noted that performance assessment report on the implementation of the 5th Development Strategy (2016/17-2020/21) with respect to operationalization of the EAC integration indicated that out of two hundred thirteen

(213) targeted strategic interventions on all the four pillars, one hundred seventeen (117) were achieved representing 55% of achievement.

To fast-track the achievement of EAC integration agenda, all unachieved targets during implementation of 5th EAC development strategy 2016/17- 2020/2021 should inform the development of the 6th EAC development strategy.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that a comprehensive review is undertaken to study the challenges that have led to the slow implementation of the pillars.

8. Unimplemented Council Directives

Audit Commission pointed out that unimplemented Council of Ministers directives remain a huge problem. Audit Commission noted similar weaknesses based on the record of the 40th Meeting of the Council of Ministers held in Arusha from 22th to 25th February 2021 which indicated that from its 1st – 39th Meeting, the Council of Ministers issued 3,154 decisions and directives for implementation. However, only 57.9% of the directives were fully implemented while 42.1% had not been implemented.

Committee Observation

The Committee observed that failure to implement Council directives by the Partner States and EAC Organs and Institutions delays the integration process of the EAC.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ascertain the reasons and root causes for the delays and non-implementation of the Council directives.

9. Review of Procurement

The Audit Commission reported the following irregularities in the processes;

- i. Tenders awarded at significantly higher prices than budgeted costs
- ii. Tenders awarded using less competitive methods and reduced advertising periods
- iii. Loss incurred by EAC as a result of unjustifiable elimination of a bidder with the lowest price
- iv. Weaknesses noted regarding the award of the tender for "Printing of Financial Education Implementation Guide"
- v. Potential information leakage associated with contract addendum beyond the allowed threshold

Committee Observation

The Committee observed that the above irregularities notwithstanding, regulations 44 of the EAC financial rules and regulations establishes an eraboralate framework under which EAC procurements are supposed to be undertaken and governed. The Committee notes that these regulations and guidelines continue to be violated.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to request management of Secretariat to follow the regulations and guidelines of procurement to be followed to control the irregularities.

10. IT systems review weaknesses

The Audit Commission reported that due to lack of strategic direction for ICT at EAC, several ICT projects were not completed in time. There were several security flaws and breaches in EAC's ICT network, duplication of ICT services at EAC while some of the systems are barely used. This increased the costs of doing business and exposed the ICT systems to unauthorised access. Audit Commission also noted that it appeared that the flaws and breaches were calculatedly designed to aid unauthorised access of 3rd parties. Other anomalies pointed out included;

- i. Lack of system integration at EAC meaning all the systems are stand alone and do not share information with each other. As a result, information is manually uploaded into the Sun Systems from other systems like Inspiro using the Sun Systems connect application.
- ii. Inactive steering Committee
- iii. Lack of harmonization of automation of business processes
- iv. Lack of harmonization in business continuity and disaster recovery plans
- v. Lack of automatic backups to offsite recovery site
- vi. Lack of ICT strategy

Committee Observation

The Committee observes that the importance of ICT in shaping and determining the Organisations efficiency and effectiveness cannot be underestimated. Having a viable and robust ICT structure and framework

will go a long way in addressing the challenges and harnessing the opportunities EAC can offer.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to avail resources to EAC such that the challenges addressed above are dealt with.

11. Status of Assent of EAC Bills

Article 59 of the Treaty provide for an elaborate process of Assent to Bills by the Heads of States. Audit Commission observed several Bills which have been passed by EALA but have never received assent. It was noted that apart from the Council Bills, Private Members Bills hardly receive any light of the day as far as the assent process is concerned.

As reported in the previous year, twenty-one (21) Bills have not yet received presidential assent from all the Partner States of which the Bills were passed by the House in 2012

Committee Observation

The Committee observed that this tantamount to injustice. Delayed assent to EAC laws hinders the Community's efforts to fully attain the objective for which it was established.

Committee Recommendation

The Committee recommends to the Assembly to urge Council to deal with the bottlenecks that have led to non-assent to the bills

12. Delays in passing of Bills

The Audit Commission reported that a closer look at the EAC Development Strategy 2017-2021 noted that it had placed a reasonable threshold for EALA to pass at least 10 Bills per year based on the six Standing Committees of the house.

However, upon a critical analysis, and review of the calendar of activities of EALA for the year under review, it noted that the Assembly passed only one (1) Bill, namely the East African Community Supplementary Appropriation Bill, 2020. The East African Community Competition (Amendment) Bill, 2020 and the East African Community Pharmaceuticals Bill, 2019 were read for the first time while the East African Community Customs Management (Amendment) Bill, 2019 was read for the second time.

Committee Observation

The Committee observed that delayed enactment of EAC laws may drag the attainment of the goals of the Community. The Committee notes that various factors have led to delays passage of bills. These factors include; delayed or late release of resources to fund the bills making process and delays in generating consensus among Partner States. The Committee notes that Council should critically understudy these factors enumerated above and address them.

Committee Recommendation

The Committee recommends to the Assembly to ensure that it understudies the factors that have led to the delay in passing the Bills and address them.

13. Review of operations of East African Court of Justice (EACJ)

The audit revealed that the Court is in sessions for a period which is less than half a year that has led to accumulation of pending cases over the years. For instance, 144 cases were pending in the financial year 2019/20. It is worth to note that out of 144 cases, 21 cases have delayed for a period more than 3 years.

This contravenes Provision 68 (1) of EACJ Rules of Procedure 2013 stating that the judgments shall be delivered within sixty (60) days from the conclusion of hearing except where the Court is unable to do so; and in line with best practices that judgment must be dispensed fairly and expeditiously.

Committee observation

The Committee observed that long delay in service delivery leads to delay in dispensing of justice.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that;

- i. the proposal of the Court to make judges resident in Arusha is materialized; and***
- ii. As previously recommended, grant court the autonomous status.***

14 Fully depreciated Asset before being placed into intended Use at LVBC

The Audit Commission reported that LVBC had procured three (3) marine equipment worth USD 394,486.35 intended to be used for research in MWANZA. These have been in store for over six (6) years. However, the Audit Commission noted that the equipment had been fully depreciated before being placed into the intended use contrary to requirements of IPSAS 17. The assets were still in store in LVBC premises when the audit was conducted.

As such assets value in the books of LVBC had been significantly misstated as depreciation charged was not valid. In addition, LVBC has not received value for money on the expenditure incurred.

Committee Recommendation

The Committee recommends to the Assembly to urge Council to approve funds to LVBC so that RV. Jumuiya vessel under goes repairs so that the mechanical problems are addressed and is put to full use.

15 Late approval of the EAC Budget for the Financial Year 2020/2021

The Audit Commission noted that the Approval of the Budget for the Financial Year 2020/21 as one of the activities that were supposed to be carried out in the financial year 2019/2020 did not follow the prescribed calendar as provided in the FRR. It was noted that by 30th June, 2020, the Council of Ministers had not presented to the Assembly the EAC Budget Estimates for the Financial Year 2020/2021.

The Secretary General delayed submission of the EAC Budget estimates for the year 2020/2021 to the Office of the Clerk until 06th August, 2020 and the Council considered the estimates on 12th August 2020.

The Assembly passed the EAC Appropriation Bill on 30th September 2020 (i.e., 3 months from the start of the new financial year). The Bill was shared with Partner States on 16th October, 2020 for assent by respective Heads of States as provided by Article 63 of the EAC Treaty.

Later on, it was noted that three (3) Partner States communicated to the Clerk of the Assembly their reservations on the shared Bill. The matter was again tabled to the EALA Commission. The Final EAC Budget for the Financial Year 2020/2021 was reconsidered and approved on 27th January 2021 (just 5 months before the year in question ends).

Committee observation

This contravenes the existing requirements of the EAC Treaty and the Financial Rules and Regulations and implies that from July 2020 to January 2021, EAC Secretariat, Organs and Institutions were using unapproved budgets. This could ultimately result in delays in Partner States disbursing the due contributions.

Committee recommendations

The Committee recommends to the Assembly to urge the Council of ministers to ensure that Budget estimates are submitted on time

16 Review of management of the general reserve funds

The Audit Commission reported that Regulation 32 (1) and (2) of the EAC Financial Rules and Regulations, ed. 2012 provide that a General Reserve Fund shall be established where any unutilized funds or surplus cash shall be deposited. This Fund shall be utilized in accordance with a decision of the Council.

In addition, appropriations shall be available to meet obligations for the financial year to which they relate. These shall remain available for three (3) months following the end of the financial year to which they relate in so far as they are required to discharge obligations in respect of goods, supplies and services rendered during the financial year which they have not been settled. All unutilized funds at the end of the three (3) months period shall be transferred to the General Reserve bank account. According to Regulation 29 (1), (2) and (3) of the cited rules and regulations, any commitment of the budget period in question shall at that time be cancelled or, where the commitment remains a legal liability, transferred as a commitment against the current appropriations.

The 41st Extra Ordinary Meeting of the Council of Ministers directed the Secretariat to submit a comprehensive report on the management of funds received and utilized by the EAC Organs and Institutions from Partner States as arrears for the period 1st July 2019 to 30th June 2020 by 30th September 2020 (EAC/EX-CM/41/Directive 05).

It further urged EAC Organs and Institutions to always deposit contributions and arrears for the preceding year received after September in the General Reserve Fund as required by the Financial Rules and Regulations, 2012 (EAC/EX-CM/41/Directive 06).

The General Reserve Fund account balance as at 18th June 2021 was **USD 10,813,848.48**. However, the Audit Commission noted the following:

a) Unsettled borrowings from General Reserve Fund

A total of **USD 2,596,532** borrowed by EAC Organs and Institutions from the General Reserve Fund to bridge the gap caused by delayed and non-disbursement of contributions from Partner States had not been refunded by the time of the audit in June 2021. See **Table 5** below for details:

Table 5: Borrowings from General Reserve yet refunded as at 18th June 2021

S/N	Organ/ Institution	Amount (USD)
1	EAC Secretariat	270,000
2	East African Court of Justice (EACJ)	150,345
3	East African Legislative Assembly (EALA)	2,176,187
	TOTAL	2,596,532

Committee observations

This contravenes the Directive 06 of the 41st extra Ordinary Meeting of the Council of Ministers and provisions of EAC Financial Rules and Regulations.

b) Funds meant to be transferred to the General Reserve Fund used without the Council's approval

The Audit Commission further reported that on the management of funds received as arrears of 27th October 2020 (Ref: SGN/3/1) showed a total amount of **USD 7,171,254** received from 1st October 2019 to 30th June 2020 as disbursements of arrears from Partner States (for all Organs and Institutions) for the year ended 30th June 2019 was not transferred to the General Reserve Fund as required by Regulation 29 of the EAC Financial Rules and Regulations, but rather spent by Organs and Institutions. The management explained that at the time, EAC Organs and Institutions were experiencing liquidity problems. Thus, they used the amount to settle current obligations with persons in the service to the Community (Staff) as well as providers of goods and services.

c. Weakness noted in the policy regulating the management of the General Reserve Fund

The Audit Commission reported that according to the EAC financial Rules and Regulations, appropriations shall be available to meet obligations for a period of three (3) months after the year end to meet outstanding obligations in respect of goods and services that were consumed during the year. Any payments made by Partner States from 1st October onward in respect of arrears are to be transferred to the General Reserve Fund account and consequently, any use of which is subject to approval by the Council.

The Audit Commission noted that under the current arrangement, there will be an endless challenge as long as some Partner States continue paying their contributions in arrears which will always end up in the General Reserve.

When the Committee interacted with the EAC Management it reported that the unsettled borrowings from General Reserve Fund is partly caused by the funds disbursed by the Partner States to settle arrears and are transferred to the Reserve based on the Council directive, however, outstanding borrowing cannot be settled from disbursement for the current financial year running. Management undertook to forward the matter to Council so that the impact of the directive on repayment of amounts borrowed in the past from Reserve is assessed and reviewed.

Committee Observation

The Committee further observed that under the current arrangement, there will be an endless challenge as long as some Partner States continue paying their contributions in arrears which will always end up in the General Reserve.

Committee recommendations

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that;

- ***EAC Secretariat abide by the current provisions of the EAC Financial Rules and Regulations by transferring to the General Reserve Fund bank account all collections in respect of arrears from Partner States received after 30th September.***
- ***Council considers revisiting the current provisions of the Financial Rules and Regulations in respect of the management of General reserve funds.***
- ***Outstanding liabilities by 30th June be included in the subsequent year's budget where the General Reserve Fund could be financing them as one of the sources of funds.***

17 Concerns with realization of value for money for the established EAC Ad hoc Service Commission on Workload Analysis and Job Evaluation

The Audit Commission reported that An Ad hoc Service Commission was established by the 30th Meeting of Council of Ministers 2014 to work on part time basis to among other things oversee the recruitment of staff for the Community, carry out a Workload analysis and Job Evaluation exercise of the EAC Secretariat Organs and Institutions and report to the Council of Ministers.

The 37th Meeting of the Council of Ministers directed the EAC Adhoc Service Commission to submit a complete report on the Workload Analysis and Job Evaluation exercise including the East African Legislative Assembly at the 38th meeting of the

Council of Ministers (EAC/EX/CM/37/Directive 21). The EAC Adhoc Service Commission report was submitted and adopted by Council of Ministers in its 40th Extra-Ordinary Meeting held in Arusha from 10th to 12th 2019, (EAC/EXCM 40/Decision 05).

The Commission noted that during review of available documentation, the Secretary General contested the legality of the establishment of the Adhoc commission arguing that its responsibilities were a duplication of similar tasks that are supposed to be performed by the Human Resource Advisory Committee as provided for under Regulations 37 and 84 (5) of the EAC Staff Rules and Regulations 2006.

In this process, the Secretary General issued a legal opinion on the legality of the EAC Ad hoc Service Commission to Council. As a result, the Audit Commission noted that the Council of Ministers in its 42th Extra-Ordinary Meeting held (via Video Conference) on 7th May 2021 rescinded the decisions of the 39th Meeting of 21st – 28th November 2019 which directed the EAC Ad hoc Service Commission to undertake recruitments (EAC/EXCM/42/Decision 03). Following this, the Council directed the Secretariat to re-advertise the 49 previously advertised positions ((EAC/EXCM/42/Directive 01).

It is worth noting that the Ad hoc Commission had already consumed a total expenditure of **USD 517,731** in three (3) financial years from 2017/2018 to 2019/2020 due to the delays in implementation of tasks assigned to it, including task to carry out a workload analysis and job evaluation.

Furthermore, EAC had hired consultants in 2011 and 2015 to conduct EAC Institutional Reviews that could have been used by the management to implement the proposed recommendations. Reports on conducted Institutional reviews were issued in March 2011 and April 2015 respectively. The proposed recommendations in these reports could have informed the exercise undertaken, but no evidence was available that they were considered by the EAC Adhoc Service Commission.

Committee Observations

- ***Considering the efforts deployed and costs incurred in the work assigned to the Ad- hoc Commission, there is likelihood of wastage of time and money in the event the Court rules on the illegality of the establishment of the Commission.***
- ***Delays in the recruitment of staff to fill vacant positions may adversely affect the conduct of EAC activities and its performance and accordingly, compromise the achievement of EAC mandate.***

- ***No value has been derived from EAC Institutional reviews undertaken and consequently, the costs incurred equate to wasteful costs.***

Committee recommendations

- ***The Committee recommends to the Assembly to urge the Council of Ministers to address issues/shortfalls in the structure proposed by the Ad hoc Commission.***
- ***Ensures that any proposal in changes of the existing structure and staff establishment are consistent with the expanding and evolving mandate of EAC Organs and Institutions.***

18 Staffing gaps due to unfilled critical positions in various areas of operations

The Audit Commission reported that upon analysis of the staffing positions at EAC - Secretariat revealed that various critical positions had not yet been filled in most areas of operations (such as corporate services, planning, research and budgeting, monitoring and evaluation, administration, finance, etc). The Audit Commission further reported that a total of **42 positions** that should have been filled were still vacant, despite having budget allocations.

Committee observation

Shortfall in staffing levels may adversely affect the implementation of the Community's operations as well as its performance. In view of the above staffing gaps, the adequate discharge of EAC functions and achievement of EAC mandate may be compromised.

Committee recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that Management of EAC endeavours to address the issues with the new structure with the aim of resolving them. In addition, the vacant positions should be filled without delay so as to enable the smooth conduct of EAC activities to achieve its objectives.

19 Persistent failures to recover diplomatic vehicle number plates

The Audit Commission reported that a total of 184 diplomatic motor vehicle registration plates issued by EAC to former employees and their beneficiaries had not been surrendered back to the Community even though the said staff had separated from service of the Community some as far back as over ten years ago.

Committee observation

The Committee observes that the policy in place to recover and ensure remittances of the number plates has not been efficient.

Committee recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to liaise with the relevant authorities in the Partner States and recall all the diplomatic vehicle number plates that have not been returned.

20 Delay to develop a policy for the facilitation of virtual meetings in EAC

The Audit Commission reported that in February 2021, the Council of Ministers directed the EAC Secretariat to develop a policy on the facilitation of persons in the service of the Community and Partner States' delegates through virtual media, and report to the 41st Meeting of the Council (EAC/CM/40/Directive 30).

This was further emphasized in the 42nd Extra meeting of the Council of Ministers held on 7th May 2021 where the Council directed EAC Secretariat to expedite the development of a policy for the facilitation of virtual meetings as directed by the 40th Meeting of the Council (EAC/EXCM/42/ Directive 04). However, by the end of this audit in June 2021, such a policy was not yet developed.

Committee observation

In the absence of a guiding tool on how to handle the activities held virtually, the Community continues to suffer from incurring expenses which are not sufficiently supported.

Committee recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Secretariat develops the guiding tools for activities carried out virtually so as to enhance accountability and transparency in EAC affairs.

21 Hierarchy of the Clerk to the Assembly

The Audit Commission reported that at the 33rd Meeting of the Council of Ministers in 2016, the Council granted EALA financial and administrative autonomy. However, as previously reported, the Clerk who is the Head of EALA according to the EAC organisational structure is at Grade P5 unlike his peer Heads of Organs who are at Executive Management level D2.

When the Committee interacted with the management of EALA it concurred with the with the Audit Commission's observations and reported that management forwarded a request to the Council to upgrade the position of the Clerk to executive level position to match the demands and supervisory functions of the office. This has however, not been done and the Clerk remains the only EAC staff head of organ or institution serving at non-executive level. Management has brought this to the attention of the Council noting that EALA will be denied representation in executive level meetings of the EAC. We await the Council's decision on the matter.

Committee observation

- ***The reporting structure puts the Clerk at a lower management level without authority to make executive decisions, hence diminishing the power of EALA and its officers; and EALA may miss the opportunity to participate in executive meetings.***

Committee recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to enforce compliance of its resolution and consider upgrading the position of the Clerk to the Assembly to be at par with other heads of EAC organs.

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5.0 CONCLUSION

Funding is a prerequisite for the smooth running of all Organs and Institutions of the Community. The Council of Ministers should fully support strategies and programs of the EAC Organs and Institutions and over rule the Zero increment of the budget by doing so it will enable organs and institutions to implement their planned activities. The Committee also calls upon Council to fast track the alternative funding mechanism.

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.

