



EAST AFRICAN COMMUNITY  
EAST AFRICAN LEGISLATIVE ASSEMBLY

**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, 2021**

(5<sup>TH</sup> -16<sup>TH</sup> OCTOBER 2022, ARUSHA, TANZANIA)

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

**December, 2022**

## **LIST OF ACRONYMS AND ABBREVIATIONS**

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

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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 5<sup>th</sup> – 16<sup>th</sup> October 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 30<sup>th</sup> June, 2021;

- 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 30<sup>th</sup> June, 2021;

Part II: General Observations and Recommendations

Part III: Conclusion and Acknowledgements.

## 2.0 METHODOLOGY

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 5<sup>th</sup> 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 Audited Accounts of the EAC Organs, Institutions and Programmes for the year ended 30<sup>th</sup> June 2021.

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 30<sup>th</sup> June, 2021.

The budget of EAC for the Financial Year ended 2020/2021 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 99.74 million compared to USD 119.14 million in 2019/2020. Development Partners contribution accounted for 37.8% of the budget.

The Community continues to grapple with various challenges of low budget absorption due to delayed or non-remittance of funds from Partner States. Partner states should enhance on the resource mobilization strategies so as to fund EAC activities.

Unqualified opinion for all EAC Organs, Institutions, and projects audited for the period ended 30<sup>th</sup> June, 2021 was issued. ***This should be sustained by EAC in order to continue attracting funding.***

Manpower and human resources challenges in EAC Organs and Institutions, have remained a major challenge. This has largely been attributed to the slow and lengthy recruitment exercises. Several vacant positions remain unfilled thus affecting the implementation of the integration agenda since there are few staff to implement the activities. ***Council should urgently address the manpower gaps affecting the EAC Organs and Institutions.***

The EAC IT audit, was undertaken. Audit noted that as reported in the previous audits, that EAC computer and networks remain vulnerable and highly exposed to unauthorized parties. The Committee observes that this is likely to result into cyber risks and other related IT challenges. ***The EAC should as matter of urgency undertake measures to reverse this trend by installing additional security features.***

As severally and previously reported, slow/non-implementation of the previous audit recommendations and non-provision of quarterly reports remains a challenge. This denies the Assembly an opportunity to follow up on the recommendations made.

Procurement processes remain an old age problem of EAC. The Committee observed that Council long abdicated its responsibilities as addressing the challenges in the Procurement Unit. ***Council should play its role in addressing the procurement problems in EAC.***

VAT refundable continue to accumulate and escalate at alarming levels. Literally all previous Committee reports have highlighted this challenge. It's evident and apparent that the rate at which the arrears continue to accumulate, means that EAC might never recover these VAT refundable. This is also coupled with the fact that some Partner States VAT refunds exceeding 3 years are considered written off.

The Committee applauds the Partner States for ratifying the Protocol on immunities and privileges. ***The Committee hopes now that the protocol has been ratified it should urgently address the challenges related to the VAT refundables.***

The budget of the EAC remain a persistent problem. Council seem not to be giving due priority the issue of growing the EAC budget. To make the matters worse, the decision-making process on the budget are at the discretion of the Committee of Finance and Administration. ***The Committee noted that 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.***

Nevertheless, the financial statements presented a fair position in all the material aspects for the EAC Organs and Institutions for the year ended 30<sup>th</sup> June, 2021.

## **PART 11**

### **4.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS**

#### **1. 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 99.74 million compared to USD 119.14 million in 2019/2020. There was a decrease of USD 19.40 million.

The Committee observes that Development Partner's contribution accounted for about 43.22% of the total budget, decreased by 24.5% from USD 57.12 million in 2019/2020 to USD 43.11 million in 2020/2021. However, only 37.8% of the total amount expected from Development Partners were received and spent by EAC Management.

***The Committee recommends to the Assembly to urge the Council of Ministers to urgently address the funding shortfalls identified so as to enable EAC implement the planned activities.***

#### **2. Budget Performance**

During the year under review, the total approved budget of the Community was USD 99.74 million. However, the Organs and Institutions of the Community (excluding CASSOA) managed to absorb only USD 56.17 million representing an overall absorption rate of 56%.

This means that the Community did not implement almost half of its planned activities during the year under review.

#### **Committee observations**

***The Community did not implement almost half of its planned activities during the year under review.***

#### **3. Partner States Contribution**

The Partner States annual contributions have changed over the last five (5) years with a 26% increase from USD 41.9 million in 2016/2017 to USD 52.8 million in 2020/2021. It was noted that the contributions paid have been diminishing leading to an increase in outstanding contributions from USD 7.8 million in 2016/2017 to USD 14.9 million in 2020/2021. This means that the EAC cannot properly plan and implement its activities, which may negatively affect service delivery of its mandate.

#### ***Committee observation***

***The EAC cannot properly plan and implement its activities, which may negatively affect delivery of its mandate***

#### **4. Development Partners (DPs) Contributions**

Receipts from Development Partners have been declining from USD 27.36 million in 2015/2016 to USD 16.29 million in 2020/2021 representing a 40.5% decrease in funding despite a minor increase from USD 20.07 million reported in 2017/2018.

##### ***Committee observation***

***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 low.***

#### **5. 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 28.1% were fully implemented, 28.1% were under implementation, while 42.7% were not implemented at all.

##### ***Committee Recommendation***

***The Committee recommends to the Assembly to urge the Partner states to ascertain that the management of EAC fully implements all outstanding recommendations such that the deficiencies and weaknesses which led to the recommendations are addressed.***

#### **6. Implementation of planned activities and unsettled Supplier Bills**

The Audit Commission reported that undisbursed and unspent budget funds account for 44% of the total budgeted expenditure, thereby resulting in partial or non-implementation of planned activities. The Audit Commission further noted significant under-absorption for all entities and projects of the Community.

Furthermore, there were accumulation of outstanding bills from suppliers and other creditors both emanating from delay and non-submission of budgeted funds.

##### ***Committee observation***

***The funding shortages significantly impacted negatively on the activities of the Community and its relationship with suppliers.***

##### ***Committee recommendations***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the planned activities are undertaken and the unsettled supplier bills are urgently settled so as to protect the image of the Community.***



## **7. Weaknesses noted in the management of assets**

The Audit Commission reported that review of the EAC assets management revealed the following weaknesses, some of which are listed below:

- Absence of regular assets inventory count reports;
- Unjustified Substantial Deductions from Capital Contribution and Grant
- Fixed Deposit Investment made to financial institutions without open competition and without involvement of investment committee;
- Lack of Land Title Deed;
- Fully depreciated assets but still in use and Annual Revaluation review of assets not conducted by Board of Survey;
- Assets Ready for Disposal not supported by Board of Survey Report;
- Assets that have become inactive before use, kept in the store for more than four years at the time of the audit.

### ***Committee observation***

***Failure to address the above reported weaknesses might result into issues of asset misuse and tracing. EAC is also likely not to realize maximum benefits from its assets.***

### ***Committee Recommendations***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAC undertakes comprehensive assessment such that it can address the above noted weaknesses.***

## **8. Status of Assent of EAC Bills**

The following issues were noted.

### **a) Delays in passing of Bills**

The EAC Development Strategy 2017-2021 has placed a reasonable threshold for EALA to pass at least 10 Bills per year based on the six Standing Committees of the house.

During the review of the calendar of activities of EALA for the year under review, it was noted that the Assembly had 11 Bills that were still pending up to the time of Audit in October, 2021.

### ***Committee observation***

***Delayed enactment of EAC laws may drag the attainment of the goals of the Community.***

## **b) EAC Bills not Assented**

As reported in the previous year, twenty-one (21) Bills had not yet received presidential assent from all the Partner States.

During the year under review, the number of Bills not assented increased up to twenty-five (25).

Audit Commission noted that some of them were passed by the House in 2012.

### ***Committee observation***

***Delayed assent to EAC laws hinders the Community's efforts to fully attain the objective for which it was established***

### ***Committee recommendations***

***The Committee recommends to the Assembly to urge the Council of Ministers to address the issues which led to the delay in assent of the bills.***

## **9. Review of operations of East African Court of Justice (EACJ)**

As reported in the previous year audit, the Audit Commission reported that Court is usually in sessions for a period of less than half a year; which led to accumulation of pending cases over the years.

For instance, at the end of the financial year 2017/2018, comparative pending cases combined were 60, in the financial year 2018/2019 they were 63, in both 1<sup>st</sup> division and appellate division as compared to 144 pending cases in the financial year 2019/2020. It is worth noting that out of 144 cases, 21 cases had delayed for a period more than 3 years.

Audit Commission further noted that, during the year under review, the number of pending cases continued to increase.

This contravenes Provision 68 (1) of EACJ Rules of Procedure 2013, which states that, 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***

***Long delay in service delivery 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 of Ministers to Review the operations of the Court and ensure that issues that are leading to case backlog and delays in delivering justice are dealt with. As recommended severally Council should also consider making Judges resident in Arusha.***

#### **10. Fully depreciated asset before being placed into intended use**

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 the Council of Ministers to ensure that the management of LVBC urgently repairs RV Jumuiya such that the marine equipment is put in use.***

#### **11. Funds withdrawn from General Reserve without Council approval**

The Audit Commission reported withdraws of funds amounting to USD USD 1,244,762 from the General Reserve without prior approval from the Council.

When the Committee interacted with the management of EAC, it concurred with Audit observation and clarified that the withdrawals of USD 793, 430 were urgent to facilitate EALA Session. The amount of USD 451,332 was part of the approved amount of USD 821,332 which was borrowed from General Reserve as per Council's decision EAC/CM/40/Decision 22.

### ***Committee observation***

***Withdrawal of funds from General Reserve prior to obtaining approval from the Council is non-compliant with the EAC Financial Rules and Regulation which may lead to misuse of the Community's funds.***

### ***Committee Recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the management of EAC complies with the requirements of the Financial Regulations in the use of the funds in the General Reserve.***

**12. Funds borrowed from General Reserve not refunded USD  
1,927,838**

Audit Commission reported that East African Legislative Assembly (EALA) and East African Court of Justice (EACJ) borrowed a total amount of USD 1,927,838 but the funds had not been refunded up to the time of the audit.

When the Committee interacted with the management of EAC, it reported that attempts are underway to review the current provisions in respect of the management of the General Reserve Funds.

### ***Committee observation***

***Borrowing from General Reserve and not refunding the funds is non-compliant with the directives by the Council of Ministers. This may lead to mismanagement of funds available in the General Reserve whereby those funds are expected to be reinvested in other profitable projects as stipulated under Regulation 32(6) of the EAC's Financial Rules and Regulations (2012).***

### **Committee Recommendation**

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

- i. the Management of EAC ensures that funds borrowed by any EAC Institution or Organ from the General Reserve Account are refunded;***
- ii. and liaise with the Council to consider reviewing the current provisions of the financial rules and regulations in respect to urgent and other statutory expenses.***

### **13. Payment of DSA for staff trainings but not sufficiently attended USD, 200,008**

The Audit Commission reported that review of sampled vouchers of Daily Subsistence Allowance revealed that, EAC incurred expenditure amounting to USD, 200,008 for DSAs (staff and consultant), Hiring of conference facilities and various training fees.

However, audit review revealed the following anomalies:

- i. the trainings were not supported with training needs analysis from the department of Human Resource as per regulations 34 (a-c) of the EAC Staff Rules and Regulations;
- ii. the training was not supported by training and staff development plans from Human Resource Advisory Committee as per regulation 34 (d) of the Staff Rules and Regulations;
- iii. request for training approval was sent directly to DSG/SG without passing through the Human Resource Department to confirm whether it was in line with the approved needs assessment;
- iv. no justification was given on why the trainings were done away from the operating environment of EAC where the respective operating systems;
- v. The Sunsystem upgrade was brought about by introduction of Intelligence Open Network (ION) which was acquired at cost of USD 77,970 to intergrate the Sunsystem with the other existing operating system (BMS, Hardcat, Inspiro). Section 3.3(v) of the project charter included training of the end users. It was therefore not possible to confirm why another training was required.

During the Committee interaction with the management, it reported that the training was undertaken to acclimatize staff to the newly purchased and/or upgraded operational systems as a stop-gap measure.

#### ***Committee observation***

- ***Undertaking training not based on needs assessment may lead to expenses on unnecessary training;***
- ***Undertaking trainings on Sun system use outside the site of the software was not efficient and effective. It would have been more efficient to train staff onsite which would also have saved funds spent on DSA for participants.***

#### ***Committee Recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAC complies with EAC Staff***

***Rules and Regulations on training and organize trainings based on needs assessment established by the Human Resources Department.***

**14. Long outstanding unpaid creditors**

The Audit Commission reported a long outstanding creditor aging up to more than 90 days

When the Committee interacted with the management of EAC, it reported that payment in time of outstanding liabilities continued to be a challenge due to delays in Partner States disbursements.

***Committee observation***

***EAC may lose creditworthiness from its suppliers which may leads to EAC underperformance due to lack of required suppliers.***

***Committee recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAC ensures timely payments to its creditors to maintain the Community's good reputation to it suppliers.***

**15. Weaknesses noted in the recording of Partner States contributions**

The Audit Commission undertook an analysis of status of contributions by Partner States by making a comparative analysis of information recorded in the books of accounts of EAC Secretariat and that contained on receipts, bank statements and letters of acknowledgement of contributions. It revealed the following weaknesses:

- Acknowledgement letters and receipts not sent
- Absence of relevant supporting documents
- Dates on bank statement and receipts not matching with dates recorded in EAC books of accounts

When the Committee interacted with the management of EAC it acknowledged the audit query and reported that it did not prepare and send an acknowledgement letter and accompanying receipt to the Republic of Uganda contribution of USD 9,523.90.

### ***Committee observation***

***Inaccuracy in balances presented to Partner States as outstanding contributions may impact negatively on Partner States prompt contribute in reference to the outstanding balance presented for the Partner State.***

### ***Committee recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAC ensures that each recorded contribution is supported by necessary documents; and match the date on the receipt of contribution and the one recorded in the bank with the date recorded in the EAC books of accounts.***

## **16. Non-compliance with Financial and Procurement Guidelines in the Procurement of Motor vehicle USD 101,800**

Audit Commission reported anomalies in the procurement of a Toyota Landcruiser VXR-V8 with registration No. TCD1051EAC that was bought for Deputy Secretary General (PI/FA) at USD 101,800. The vehicle was bought from Toyota Kenya through the Lake Victoria Basin Commission (LVBC) using direct procurement method. This was contrary to regulation 68(4) (7) and 64 (1) (a) of the EAC's Financial Rules and Regulations (2012) Below is detailed information with regard to anomalies that were noted in the acquisition of this motor vehicle:

- i) The EAC Procurement Plan provided for procurement of two (2) motor vehicles. However, only one (1) vehicle was acquired using the whole budgeted amount instead of two (2) that were planned.
- ii) EAC Secretariat used direct procurement method to acquire the vehicle instead of Open Bidding.
- iii) The minutes for 75<sup>th</sup> extraordinary meeting of the Procurement Committee were only signed by the Chairman and Secretary of the Committee.
- iv) There was no contract between EAC Secretariat and the vehicle supplier, M/s Toyota Kenya detailing terms and conditions in the procurement of the vehicle and expressing the rights and obligations of each party in the arrangement.

- v) The asset was wrongly recorded in the financial year 2020/2021 while documentary evidences show that the vehicle was delivered after the year-end.

### ***Committee observation***

- i. Absence of competition had denied the EAC Secretariat from attaining value for money;***
- ii. Non-compliances with regulations by Management exposed the Community to possible loss of funds through fraudulent practices by officers;***
- iii. There was a risk of receiving substandard goods due to absence of inspection at the receipt of the said vehicle;***
- iv. Interests of the Community could have been in jeopardy in case of disputes as there is no contract between the parties.***

### ***Committee Recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers undertake investigations on those procurements that have evaded competitive methods as the frequency brings about possibility of conflict of interest by the officers involved in respective procurements. In addition, controls on procurement should be revisited to curb management override exhibited in the financial year 2020/2021.***

## **17. Provision of vehicles above entitlement and non-compliance with Procurement Procedures**

The Audit Commission reported that a review of the PPE for the year under Audit noted a transaction relating to purchase of a motor vehicle that had a number of irregularities with regard to financial and procurement guidelines of the Community as detailed below:

- i. In May 2020, the Community provided USD 107,395 to buy a Toyota Landcruiser VXR-V8 however, the EAC Secretariat acquired a Range Rover L405 at USD 119,100 that was also given registration number TCD M1 EAC for the use by the Secretary General. The new vehicle was bought just one year after the previous one.;



- ii. The vehicle was procured through direct procurement contrary to the requirements of the EAC Financial Rules and Regulations (2012);
- iii. There was no contract between EAC Secretariat and the vehicle supplier, M/s Inchcape Kenya that has terms and conditions indicating the rights and obligations of the Community in the procurement arrangement, contrary to Regulation 83(4) of the EAC Financial Rules and Regulations, 2012;
- iv. Although, the user department indicated to the Procurement Committee that the Council, during its 42<sup>nd</sup> Extraordinary meeting, had approved the budget reallocation of USD 130,000 to buy the new vehicle, review of the Annual Procurement Plan and annual budget indicated that the vehicle was not planned or budgeted for;
- v. There is no evidence that three of the officers involved in inspecting the vehicle had technical expertise with regard to motor vehicles which is contrary to Para 3.9(2)(i) of the EAC Procurement Procedures Manual (2020).
- vi. The inspection team indicated on the form that the inspection date was 30<sup>th</sup> June, 2021 thereby indicating that the vehicle was received in the financial year 2020/2021 while it was actually delivered in the financial year 2021/2022. It should be recalled that 30<sup>th</sup> June, 2021 is the date that the Procurement Committee approved the method of procurement for the vehicle. Furthermore, the registration card for the vehicle was issued on 20<sup>th</sup> August 2021.

When the Committee interacted with the management of EAC, it reported that;

Direct procurement was used because a brand had been identified by the Secretary General. Since the brand recommended was Range Rover, the manufacturer was Land Rover who have dealers within East Africa. Since CMC Tanzania was the dealer of Land Rover in Tanzania, the Secretariat involved CMC both in Arusha and Dar es Salaam for a similar vehicle. Since the vehicle was not in stock, CMC referred EAC management to the Nairobi Dealer Inchcape who had a vehicle meeting the description.

### **Committee observations**

***The anomalies noted above have several implications as illustrated below:***

- i. Re-allocating funds to acquire an additional vehicle while an earlier procured vehicle was still fairly new;***
- ii. Override of controls by management by not observing guidelines on direct procurement and receipt and inspection of goods;***
- iii. Overstatement of assets additions in the financial statements due to discrepancies in year of receipt of the vehicle;***
- iv. The use of direct procurement may have prevented the Community from deriving value for money from competitive procurement methods.***

### **Committee Recommendation**

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAC should;***

- i. Ensure guidelines on procurement methods are followed so as to protect the Community's funds;***
- ii. Confirmation of the financial year that the vehicle should be recognized as an asset to avoid distortion of the financial statements;***
- iii. Strengthen controls over receipt and inspection of goods to eliminate the existing loopholes that may subject the Community to the risk of receiving substandard items.***

### **18. Anomalies on Procurement of Supplier for Renovation of Secretary General Office**

The Audit Commission reported that during the financial year 2020/2021, the EAC Secretariat hired Mecchilly Technology (T) Ltd for renovation of the Secretary General's Office through Direct Procurement method for TZS

42,229,887.20 (equivalent to USD 17,690.24). Audit Commission noted a number of anomalies that had financial as well as operational implications to the Community as detailed below:

- i) The expenses were incurred without approved budget for the same;
- ii) The procurement method was not approved by the Procurement Committee prior to commencement of the renovation contrary to requirements of Regulation 69(4) of the EAC Financial Rules and Regulations (2012);
- iii) On 30<sup>th</sup> April 2021, advance payment of TZS 11,812,390 (equivalent of USD 5,139.10) was made to the contractor on the same day that the approval was given and without a bank guarantee contrary to requirement of Regulation 83 (4) of the EAC Financial Rules and Regulations (2012);
- iv) In addition to that, another Memo sought for an approval of TZS 23,674,780 (equivalent of USD 10,278.20) for the respective renovation but TZS 31,955,627.20 (equivalent to USD 13,902.31) was paid for that purpose resulting in overpayment of USD 3,624.11 for the same transaction;
- v) On 29<sup>th</sup> June 2021, additional direct procurement for the renovation of the Chairman's Room was sought by the Estate Unit under the same supplier. The Procurement Committee provided approval for such but there was nothing indicating that the respective procurement required exceptions provided by Regulation 69(1) of the EAC Financial Rules and Regulations (2012); and
- vi) No approval of any organ was provided although the renovated building has an approved plan that should require approval of relevant organs if needs renovation.

When the Committee interacted with the management of EAC, it acknowledged the Audit Commission's Observation and undertook to correct the anomalies in the future procurements.

### ***Committee observations***

- i. Renovating the existing approved plan of the EAC Headquarter building without any approval of relevant organs may put the building at risk;

- ii. The unjustifiable single source procurement denied the Community value for money as competition and transparency were inhibited and therefore no opportunity to access quality goods/service at affordable prices from other suppliers;
- iii. there was a possibility of fraudulent transaction due to override of controls evidenced in the highlighted procurement transactions;
- iv. Loss to the Community, due to payments made over and above original requested amount. This could adversely affect the Community's operations that that would lead to failure to achieve its critical objectives.

### ***Committee Recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that Management of EAC follows the procedures in place and avoid override of controls and investigation the procurement following the noted significant violations of rules and procedures around the area.***

## **19. Weaknesses noted in the Audit and Risk Committee**

The Audit Commission reported that upon review of the Audit and Risk Committee it noted the following weaknesses:

- The Committee does not carry out meetings;
- The Committee is not fully constituted since all Partner States are not represented on it. Specifically, the Republic of South Sudan is not represented in the Committee.

When the Committee interacted with the management of EAC, it concurred with the Audit Commission's Observation and undertook to correct the anomaly.

### ***Committee observations***

***By not holding any meeting during the year, the Community is losing the expected technical assistance to the Council of Ministers in its oversight responsibility for the Community.***

### ***Committee Recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure statutory committees' meetings including the meetings of the Risk Committee are held regularly as scheduled. Further, the Republic of South Sudan as a Partner States should be represented in the Committee.***

#### **20. Delays in developing a policy for the facilitation of virtual meetings in EAC**

The Audit Commission reported that in its 40<sup>th</sup> Ordinary meeting held 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 41<sup>st</sup> Meeting of the Council (EAC/CM/40/Directive 30). However, such a policy has not yet been developed.

During the interaction with the management of EAC it reported that a draft policy has been developed and is under review of the Committee appointed by SG before submission to the Executive Management for consideration and approval for operationalization.

### **Committee observation**

Delay in developing the policy on virtual meetings as directed by the Council of Ministers is a non-compliance with the Councils directives resulting in delay in avoiding some costs required to be incurred in physical attendance of the meetings.

### ***Committee recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that Management puts in place guiding regulation for activities carried out virtually to comply with the Council directive to cut down costs usually incurred for transport and accommodation of delegates.***

#### **21. Slow pace in implementation of French as a language of the Community**

The Audit Commission reported that the 15<sup>th</sup> Summit of the EAC Head of States held on 30<sup>th</sup> November, 2013 directed the Council of Ministers to undertake a study on the

modalities for including French as a Language of the Community in addition to English and Kiswahili.

However, Audit Commission noted that from 2013 when the Summit issued the directive to set up modalities to adopt French as a language of the Community up to the time of audit in November 2021, French has not been operationalized as a language of the Community.

During the management meeting with EAC, it reported that the Secretariat has already initiated actions towards implementing the decision of the Summit adopting French as a language of the Community.

### ***Committee observation***

***Delays in introducing French as a language of the EAC means that delegates with French background but who are not proficient in English or in Kiswahili cannot express their views or follow deliberations efficiently and the Community may be missing important inputs to enhance the EAC Development.***

### ***Committee recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAC take necessary measures to ensure French is operationalized as directed by the Summit and the Council. In the Meanwhile, management should endeavor to explore ways of hiring English-French translation and interpreting services during EAC meetings.***

## **22. Unjustified differences in salaries and other benefits to staff of the same category**

The Audit Commission reported that review of payroll for temporary staff revealed that there is no established equivalent grading for temporary staff while it is the basis for salary payment hence leading to payment of salaries which contravene the existing salary structure.

When the Committee interacted with the management of EAC, it reported that attempts are underway to harmonize the salaries for short term staff as recommended to the Secretary General.

### ***Committee observation***

***Absence of basis for payment of salaries for short term staff as well as unjustified differences in salaries may cause litigations to the Community with adverse financial consequences.***

### ***Committee recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAC take necessary measures to improve short term staff salary payment policies to ensure that short term staff salaries are effected in line with adopted and approved salary structure; and liaise with the Council of Ministers so that recruitments are carried out for positions occupied by short term staff to ensure sustainability of activities in the Community and fair treatment of the staff of the Community.***

## **23. Hierarchy of the Clerk to the Assembly**

The Audit Commission reported that at the 33<sup>rd</sup> 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 Audit Commission's observations. Management reported that it 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. However, this was not done and the Clerk remains the only EAC staff head of organ serving at non-executive level. Management brought this to the attention of the Council noting that EALA will be denied representation in executive level meetings of the EAC.

### ***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***
- EALA may miss the opportunity to participate in executive meetings with similar or commiserate positions within the EAC structures.***

### ***Committee recommendation***

***The Council should 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.***

#### **24. Long Outstanding Imprest**

The Audit Commission reported that regulations 40 (4) states that all imprest not retired beyond the period provided under sub regulations (3) shall be recovered in full from salaries and wages and other payments due from the responsible officer within the current month, with a surcharge of 10% per month of the outstanding amount.

When the Committee interacted with the management of EALA it reported that it initiated the process of seeking approval of the Council to consider writing off the unaccounted Imprest relating to Dr. Christophe Mpozayo or any other action it deems necessary. This matter was brought to the attention of the Secretary General seeking the Council's Decision. Management awaits a final Council Decision on the matter.

### ***Committee observation***

***There is high probability that the imprest may never be recovered***

### ***Committee recommendation***

***The Committee recommends to the Assembly to urge the Council of Ministers to consider writing off the unaccounted-for imprest which was granted to Dr Christopher Mpozayo.***

## **PART 111**

### **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 overrule 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.



