



**EAST AFRICAN COMMUNITY**

---

**EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)**

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

**131ST SITTING - SECOND ASSEMBLY: THIRD MEETING - FIFTH SESSION**

**Monday, 30 January 2012**

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

**PRAYER**

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

*The Assembly was called to order*

---

LAYING OF PAPERS

**THE CHAIRPERSON, COMMITTEE ON ACCOUNTS (Mr Bernard Mulengani):**

Mr Speaker, I beg to lay on the Table the Report of the Committee on Accounts on the EAC Audited Accounts for the Financial Year 2010/11.

BILLS

FIRST READING

THE COMMUNITY EMBLEMS (AMENDMENT) BILL, 2012

**THE CHAIRPERSON, COUNCIL OF MINISTERS (Mr Musa Sirma):** Mr

Speaker, I beg to move that the Community Emblems (Amendment) Bill, 2012 be read for the First Time. (*Applause*)

**THE SPEAKER:** The Bill is referred to the relevant committee.

BILLS

FIRST READING

THE EAST AFRICAN COMMUNITY SUPPLEMENTARY APPROPRIATION

BILL, 2012

**THE CHAIRPERSON, COUNCIL OF MINISTERS (Mr Musa Sirma):** Mr

Speaker, I wish to move that the East African Community Supplementary Appropriation Bill, 2012 be read for the First Time.

**THE SPEAKER:** The Bill is referred to the relevant committee.

BILLS

FIRST READING

THE EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT (AMENDMENT) BILL,  
2012

**THE CHAIRPERSON, COUNCIL OF MINISTERS (Mr Musa Sirma):** Mr Speaker, I beg to move that The East African Community Customs Management (Amendment) Bill, 2012 be read for the First Time.

**THE SPEAKER:** The Bill is referred to the relevant committee.

MOTION

FOR THE CONSIDERATION AND ADOPTION OF THE REPORT OF THE  
COMMITTEE ON ACCOUNTS ON THE EAC AUDITED ACCOUNTS FOR FY 2010/11

**THE CHAIRPERSON, COMMITTEE ON ACCOUNTS (Mr Bernard Mulengani):**  
Mr Speaker, I beg that the Report of the Committee on Accounts on the EAC Audited Accounts for the Financial Year 2010/11 be adopted.

**MR NAKULEU:** Seconded.

**MR MULENGANI:** Thank you very much, Mr Speaker. Since I am taking the Floor for the first time in this session, I want to join all those that have stood in this House to thank the leadership of this country and the Chairperson of Head of Summit, the Speaker of Parliament of Uganda and the Members for the hospitality they have accorded to us since our arrival in Uganda. (*Applause*)

As Members might have seen, the report is quite big because of the increased tasks of the institutions, organs and projects within the Community. It is my prayer that I try to summarise the report but as you know, figures are not summarisable. When you summarise them, they become cumbersome; for example, if instead of one thousand I say ten cubed, it will create a lot of problems. So, I will request the indulgence of Members. I will try to summarise as much as possible to ensure that I read the entire report of 56 pages within an agreeable time.

### **Introduction**

In accordance with the provisions of Article 134 (3) of the Treaty establishing the EAC, the Chairperson of the East African Community Council of Ministers on September 14<sup>th</sup> 2011 in Kigali,

Rwanda, laid before the Assembly the following reports of the Audit Commission:

i) Audited Consolidated Financial Statements for the EAC for the year ended 30 June 2010;

ii) Audited Financial Statements for the Lake Victoria Basin Commission for the year ended 30 June 2010;

iii) Audited Financial Statements for the Lake Victoria Environmental Management Programme II for the year ended 30 June 2010;

iv) Audited Financial Statements for the Lake Victoria Basin Commission Partnership Fund for the year ended 30 June 2010;

v) Audited Financial Statements for the Civil Aviation Safety and Security Oversight Agency (CASSOA) for the year ended 30 June 2010;

vi) Audited Financial Statements for the Inter-University Council for East Africa for the year ended 30 June 2010;

vii) Audited Financial Statements for the Inter-University Council for East Africa BIO-EARN Programme for the year ended 30 June 2010;

viii) Audited Financial Statements for the Inter-University Council for East Africa VICRES Initiative Project for the year ended 30 June 2010.

The report is in 10 parts and those parts are in that order. I will begin with part 2.

## PART II

AUDIT FINDINGS OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE EAST AFRICAN COMMUNITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010.

Mr Speaker, I have to say that the accounts of the East African Community were unqualified, implying that the accounts, this time round, were clean accounts. (*Applause*)

### **Follow-up on Previous Year's Audit Findings**

#### Lack of Accounting and Procurement Manuals

The Community up to now had not produced an accounting and procurement manual. The Committee was informed that the

Secretary-General has since signed off the manuals to speed up operations of the Community affairs following a decision by the Sectoral Council on Judicial Affairs' decision that codes, guidelines, charters, manuals and policy documents that do not have legal content be considered and signed off by the EAC Management.

#### Committee Recommendations

(i) The Committee noted the progress and recommends to the Assembly that the information provided is subject to verification by the Audit Commission during the next audit.

(ii) The Committee further recommends to the Assembly to urge the Council of Ministers to table the accounting and procurement manuals that were signed off.

#### Audit and Assurance

##### a) Internal Audit Function

Mr Speaker, the Internal Audit Unit is understaffed thus limiting its effectiveness in monitoring of Community programmes and resources. The EAC Management reported that recruitment of EAC staff had been stopped by the Council's decision to freeze

recruitments pending the roadmap to fully integrate the republics of Rwanda and Burundi and the institutional review.

The Committee was, however, informed that with the support of DFID, an additional internal auditor was recruited together with two temporary audit assistants.

The Committee recognises that the Internal Audit Unit does not produce quarterly reports on the Secretariat, EALA and EACJ but produces quarterly reports on CASSOA.

#### Committee Recommendations

i) The Committee recommends to the Assembly to urge the Council of Ministers to unfreeze recruitment and finalise institutional review expeditiously.

ii) The Committee recommends that each organ and institution of the EAC have their own internal audit unit.

iii) The Committee recommends to the Assembly to urge the Council of Ministers to ensure that annual audit plans are in place.



### Risk Management

The Community did not have a risk management policy for identification of risks and exposures. The EAC management informed the committee that with the help of technical experts, the Risk Management Framework Policy and Strategy was developed and presented to the 22<sup>nd</sup> Meeting of the Council of Ministers. It was decided that the strategy be revised and presented to the next meeting of the Council due on 21 November 2011.

### Committee Recommendation

The Committee noted progress and recommends to the Assembly to urge the Council of Ministers to expedite approval of the document in order to mitigate risks and exposure of the Community programmes and resources.

### Investments

The Community keeps some funds in fixed deposit accounts in selected banks without an investment policy. As at 30 June 2009, US\$ 2.2 million was in fixed deposits, earning interest at three percent per annum.

The EAC management responded that the Sectoral Council on Legal and Judicial Affairs cleared the proposed policy and it has been

incorporated in the revised Financial Rules and Regulations, which will be considered by the Council from 21 November 2011.

#### Committee Recommendation

The Committee noted progress and recommends to the Assembly to urge the Council of Ministers to approve the policy for proper guidance on investments.

#### Human Resources Management

The EAC does not have a human resources management policy to give proper guidelines on the recruitment process, rewarding, staff rotations, promotions and other procedures intended to motivate staff.

The Audit Commission further noted that the existing organisation structure of the Community appears to have been overtaken by current developments. As a result, some appointments have been made outside the organisation structure.

#### Committee Recommendation

The Committee took note of the delay in approval of policies and recommends to the Assembly to urge the Council of Ministers to

expedite finalisation of institutional review and approval of the Policy on Human Resource Management.

#### Arusha-Namanga-Athi River Road Project

Mr Speaker, there are details on the findings of the Athi River road project. This is a recap of last year's recommendations.

I want Members to turn to page 5, the paragraph just under 12. The EAC management responded that the project auditor finalised the audit report and that all queries raised by the Audit Commission were cleared. However, the Audit Commission was unable to see the report.

#### Committee Recommendation

The Committee took note of the project progress and recommends to the Assembly that the said engineer's report be tabled in the Assembly and be provided to the Audit Commission for verification and advice.

#### Review of the Contract for Rent of Office Buildings

The Audit Commission reported that a review of the tenancy contract in respect of office space currently occupied by EAC within the AICC revealed the following weaknesses. Members may

recall that among these weaknesses was a problem of office space covered.

I just beg that you turn to page 6 to review the committee's observation. The Committee observed that the EAC management has taken long to effect the Committee recommendations, which were raised in 2008/09. The Committee noted that despite non-recovery of overpayments, the EAC management went ahead to make routine payment of rent for this quarter. This shows negligence and laxity on the part of management in handling matters of the Community.

#### Committee Recommendations

The Committee recommends to the Assembly that:

i) The Council of Ministers tables the two reports by the two boards of survey.

ii) The two reports of the two boards of survey be presented to the Audit Commission for verification.

iii) The EAC management provides to the Assembly and the Audit Commission the final computation of the amounts due to EAC as a result of overpayments for the 244 square metres for the last 15

years, and stops any further payments to the landlord before total recovery of the said overpayment is effected.

#### Segregation of Duties between Finance and Procurement Functions

The Deputy Secretary-General Finance and Administration and the Director of Finance are respectively members of the Procurement and Tender Committees. The Committee notes that this is an anomaly and it recommends to the Assembly to urge the Council of Ministers to ensure that the Secretary-General expedites appointments of members of the two committees.

#### Management of Stores

The Audit Commission reported that the storeroom used by the EAC Secretariat, EALA and the EACJ is congested such that some items were found piled in the small room.

The EAC management reported that office space and store rooms are expected in the new office building.

#### Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to expedite completion of the EAC headquarters to create space.

**Current Year's Audit Findings**

Advance Payment not Secured by Bank Guarantee

Mr Speaker, the EAC paid in advance US\$ 210,623.5 to various suppliers before delivery of the items purchased as shown in the table.

We noted that the EAC would not be secure in case the suppliers failed to deliver the said goods.

The Committee noted that management did not explore other avenues, such as the use of letters of credit through banks, and was concerned with the laxity management has exhibited in handling EAC resources.

Committee Recommendation

The Committee, therefore, recommends to the Assembly that the Council of Ministers ensures that EAC management improves on performance and conducts due diligence while handling EAC financial transactions.

Long Outstanding Receivables

Mr Speaker, the Audit Commission reported that EAC did not claim VAT outstanding balance amounting to US\$ 503,351 as detailed in the table below.

It should be noted that there has been laxity in claiming VAT and withholding tax as per the headquarters' agreement between EAC and the Government of Tanzania. Furthermore, there is a possibility of losing all the VAT relating to previous years in the event that claims become time-barred according to the rules and regulations of the Tanzania Revenue Authority.

The EAC management informed the Committee that efforts are being made to negotiate with the ministries of foreign affairs of Partner States to issue an exemption certificate for VAT to EAC organs and institutions wherever they are hosted and make a follow-up for refund of the amount claimable. The Committee was concerned that this matter has taken too long to be resolved.

#### Committee Recommendation

The Committee recommends to the Assembly that the Council of Ministers takes up the matter of VAT exemption for all organs and institutions of the Community and ensures that it is resolved by March 2012.

Need to use Integrated Information Management Systems in EAC

a) Lack of Uniformity in the Accounting Software used

Mr Speaker, the Committee notes the weakness of lack of uniformity in the accounting software used in the Community. Each organ and institution uses different IT software. Therefore, the Committee recommends to the Assembly that the Secretary-General should ensure harmonisation of information management systems in all EAC organs and institutions.

b) Automation of EAC Systems

The EAC as an institution has not fully embraced automation both in processes and archiving of documents.

Committee Recommendation

The Committee recommends to the Assembly that EAC systems should be automated, unified and the staff should become ICT compliant.

Effectiveness of the Internal Audit Function

Implementation of Internal Audit Recommendations

Despite internal audit reports being prepared and submitted to management, there was no documentary evidence pertaining to management's action taken to address issues raised by the



Internal Audit Unit, hence posing a danger of gaps and deficiencies manifesting as part of the internal controls.

The EAC management responded that an implementation matrix was developed to implement and monitor implementation of internal audit recommendations. The committee noted that the matrix referred to was not presented to the Audit Commission.

#### Committee Recommendations

The Committee was not satisfied with the explanation by management and, therefore, recommends to the Assembly to urge the Council of Ministers to ensure that:

- i) The Secretary-General implements the matrix.
- ii) The Secretary-General presents the matrix to the Audit Commission for verification in the next audit.

#### Independence of the Internal Audit Function

The Internal Audit Department reports functionally and administratively to the Secretary-General. This implies that the internal audit independence may be compromised.

The EAC management reported that the Council of Ministers has approved, in principle, the Audit and Risk Committee Charter. Turn to page 10.

#### Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the audit committee is constituted and the Audit and Risk Charter is operational by March 2012 to enhance independence of the Internal Audit Department.

#### Audit Committee

It was noted that Council did not constitute an audit committee contrary to corporate governance principles. This implies that independent review and implementation of issues in audit reports was not done.

The Committee is concerned about the delay by the EAC management and Council of Ministers in the establishment of the committees purportedly caused by the Sectoral Council on Legal and Judicial Affairs.

Mr Speaker, I now turn to individual audit findings for each organ and programmes within the Community.

EAC Secretariat

Procurement of a Mercedes Benz Car from DT Dobie Tanzania

There was breach of contract and an extra cost was incurred because of the breach. This was the finding of the committee.

The details are in the report.

The Committee noted with concern that the tender was awarded in September 2009, the invoice was dated December 2009 but the letter revising did not come until February 2010. The Committee was not satisfied with the explanation given above and the Committee is concerned about the manner in which contracts are managed and executed at the EAC.

Committee Recommendations

The Committee, therefore, recommends to the Assembly that:

i) Proforma Invoice Ref: 401256 dated 18 December 2009 be laid on the Table and transmitted to the Audit Commission for verification before December 2011. Mr Speaker, I think this will have to change to another deadline as Members will debate.

ii) EAC management should always exercise due diligence in procurement matters of the Community.

#### Lack of Board of Survey Instructions

The Committee notes that the execution of the exercise may result into differing figures and lack of uniformity in case written instructions are not used. The Committee noted with concern as to why auditors were not also invited for the exercise yet it is a requirement for the authenticity of the exercise.

#### Committee Recommendations

The Committee recommends to the Assembly that:

i) The Council of Ministers urges the Secretariat to ensure that in future, auditors are invited to the board of survey activities.

ii) EAC management expedites issuance of guidelines for the Board of Survey to enhance uniformity and consistency in all its institutions.

#### Human Resource Management Information System

The Audit Commission reported that in October 2006, the Secretariat acquired the Human Resource Information System, Inspiro People, at US\$ 17,500. The system, however, has not been

put to use since then. The EAC still prepares its payroll using excel spreadsheets.

The Committee was not satisfied with the explanation because management responded that although EAC has been facing challenges in operationalising the Inspiro People system due to insufficient capacity in the Registry and Human Resource Department, a number of steps have been taken to address these challenges including:

- i) Recruitment of a human resource officer.
- ii) Discussions are ongoing with GTZ to support the Secretariat by funding a human resource assistant.
- iii) A comprehensive implementation plan to operationalise Inspiro in the entire EAC has since been drawn and agreed upon.
- iv) A committee to oversee the implementation of the plan, including interface with Sun Systems has been put in place.

The Committee was not satisfied with the management explanation as to why a system that was bought in 2006 had not been put to use to date. Further, the Committee advised that the Audit Commission verifies whether Inspiro People is linked to the Sun Systems.

Committee Recommendation

The Committee recommends to the Assembly that the Council of Ministers ensures the system is in operation by March 2012.

EAC Partnership Fund (PF)

This is a programme within the EAC programmes.

Compliance with Donor Agreements

During the period under review, there were no funds transferred to the Partnership Fund from EAC Partner States, contrary to the Partnership Fund Regulation 6(d) which states that, "*EAC Partner States' contribution to the fund shall be considered an integral part of their contributions to the EAC Budget.*"

The EAC management informed the Committee that their contribution has been in kind.

Committee Recommendation

The Committee noted the high dependence on development partners by EAC on some of its activities and recommends that it is important for the Community to initiate financing mechanisms for sustainable financing of its activities.

Management of Advances/Imprest

a) Delay in Retirement of Advances/Imprest

The Audit Commission reported that there were delays in retirement of imprest after completion of an activity, leading to misstatement of imprest balances and delay in reimbursement of excess expenses incurred.

Management explained that some delays were caused by back-to-back meetings.

Committee Recommendation

The Committee recommends to the Assembly that the EAC management should ensure proper management of imprest and adherence to financial rules and regulations on imprest accountability and retirement.

b) Accountability of Funds

The Audit Commission noted that US\$ 65,100 paid to Dr Florence Musonda on 10 December 2009, *vide* cheque No. 001829, was meant to facilitate the capacity of informal cross-border traders. The activity was scheduled to take place from 1<sup>st</sup> to 16<sup>th</sup> December 2009. A copy of the accountability is attached as Annex I. The Audit Commission further noted the following:

i) Although retirement was done on 30 January 2010, there was no evidence to show that it was checked and approved;

ii) The activities were scheduled to run from 1<sup>st</sup> to 16<sup>th</sup> December 2009, however the accountability furnished indicated that it was finalised on 10 March 2010;

iii) Accountability attached was not supported by signed attendance lists, training programme and training reports;

iv) Blank receipts were attached for accountability purposes;

v) The activity budget indicated that training was to be carried out by EAC staff, however it was noted that some resource persons were not EAC staff. Documents pertaining to their selection were also not availed.

The risk noted was that funds may not have been used for the intended purpose.

The EAC management responded that the finding will be scrutinised and recovery of disallowed expenditure be made wherever identified. Management further clarified that the said



retirement was not approved and that it was subjected to internal auditors for checking. The internal auditor also never approved the retirement and the matter was referred to the Director of Finance and the Directorate of Human Resources for disciplinary action.

After an examination of the documents, it was established that US\$ 24,200 constituted ineligible expenditure and the officer was requested to refund the amount in a letter, attached here as Annex II, dated 20 October 2011.

The Committee notes the laxity and manner in which EAC management has handled this matter since 2009.

#### Committee Recommendations

The Committee examined the matter with concern and found the intentions of the officer fraudulent and, therefore, recommends to the Assembly to urge the Council of Ministers to ensure that:

i) The officer pays the US\$ 24,200 of ineligible expenditure immediately;

ii) A copy of the recovery details be surrendered to the auditors;

iii) Disciplinary action, in accordance to the regulations governing staff of the East African Community, be taken and a report of action be submitted to the Assembly by March 2012.

The Committee, however, during its recent sitting on 25 January 2012, received a copy of a cheque payment amounting to US\$ 24,200 in the names of EAC from Dr Florence Musonda - a copy is attached as Annex III - which is subject to verification by the Audit Commission in the subsequent audit.

EAC/East African Trade and Transport Facilitation Project

Expenditure not Sufficiently Supported

Mr Speaker, the auditors noted that disbursement amounting to US\$ 100,206 was not sufficiently supported as detailed below in that table. The implication is that it is not possible to confirm the validity and authenticity of the expenditure incurred.

Management, however, regretted that at the time of audit, a copy of the said forms could not be traced in the documents filed during the period.

#### Committee Recommendations

i) The Committee recommends to the Assembly that EAC management should comply with the Audit Commission recommendation that for better management of the project's funds, all expenses and disbursement incurred should be adequately supported. These supporting documents should be properly kept for future reference.

ii) The Committee further recommends to the Assembly that a copy of the forms A1 and A2 be submitted to auditors for verification.

#### EAC/African Union Capacity Building Phase 1 and 2 Projects

##### Implementation of Project Activities

The Audit Commission noted that the project had not prepared quarterly reports and in absence of quarterly reports, there would be difficulty in performance evaluation.

The EAC management responded that reports were submitted to the donors but no copies were kept in the office.

#### Committee Recommendations

The Committee recommends to the Assembly to urge EAC management to:

- i) Produce project activity reports;
- ii) Institute a clear and systematic mechanism of releasing Community documents to donors.

The Committee further observed the following after interacting with the EAC monitoring and evaluation officer:

- i) There was no mechanism or procedure of releasing reports to donors.
- ii) Accountability is on finance but not on performance.
- iii) There is a structural problem in terms of reporting.
- iv) Project performance reports sent to donors are not availed to the monitoring and evaluation unit.

The Committee further recommends to the Assembly that:

- i) The project performance reports should involve the M&E unit before submission to donors.

ii) The EAC management should avail to the M&E unit project management reports which they send to donors.

iii) There is need to streamline the M&E unit by elevating it to a directorate level and staffing it.

#### Refund of Air Tickets

During the period under review, the Audit Commission noted that debit notes worth US\$ 3,973.91 were raised in respect of unutilised air tickets to various travel agents. At the year end, however, this amount was not reflected in the financial statements as outstanding from travel agents. The table shows those details.

The Committee was concerned that EAC management was not able to compile correct financial information. The Committee further noted that the balance sheet was in error because of such an anomaly.

#### Committee Recommendations

The Committee recommends to the Assembly to urge management of EAC to ensure that:

i) The amounts in question are reflected as receivables in the balance sheet and should be verified by the Audit Commission;

ii) Correct and accurate information is compiled in subsequent financial statements.

PART III

AUDITED FINANCIAL STATEMENTS OF THE LAKE VICTORIA BASIN COMMISSION FOR THE YEAR ENDED 30 JUNE 2010.

**Follow-up of Previous Years Audit Findings**

RV Jumuiya

Mr Speaker, the vessel is not operational due to water hyacinth.

The Committee noted the following:

- i) The vessel is docked and is incurring costs, making it a burden to the Community.
- ii) Water hyacinth is a burden to the vessel's operation and no evident efforts are in place to fight the hyacinth.

Committee Recommendation

The Committee, therefore, recommends to the Assembly that the Lake Victoria Basin Commission management expeditiously find a mechanism to effectively handle the issue of water hyacinth so

that it does not impede operations of RV Jumuiya and other activities.

#### Accounting for Imprest

The Audit Commission reported that some imprest at the year end had been outstanding for more than a month without being retired. It was further noted that some staff with outstanding imprest balances continued to receive fresh imprest before retiring the outstanding imprest.

The Audit Commission further noted that some staff did not account for imprest for a period of more than one year and others accounted for lesser amounts than what was given to them, as shown in the table below. Members, in your free time you can peruse through those details.

The Committee further noted that some staff who never retired their imprest are no longer employees of the Commission.

#### Committee Recommendations

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

i) Lake Victoria Basin Commission management provides proof of recovery of imprest from staff still serving the Commission and those who have left and further presents proof of such recovery to the Audit Commission for verification;

ii) A comprehensive audit on imprest and advances be carried out and a report be given to the Audit Commission.

iii) There should be adherence to the policy regarding imprest accountability.

VAT not claimed

Mr Speaker, there was no evidence that the paid VAT was later claimed from the Kenya Revenue Authority. It was further noted that Lake Victoria Basin Commission management has no debtors' ledger account for VAT.

The Committee notes several recommendations on the VAT issue in its previous reports urging the Council of Ministers to recover VAT claims. To-date, these recommendations have not been implemented. Unclaimed VAT is growing to the extent that Lake Victoria Basin Commission has stopped entering outstanding VAT in its books of accounts.



The Committee, therefore, reiterates its earlier recommendations to the Assembly that:

i) The Council of Ministers takes up the matter and ensures that all VAT not refunded to the East African Community organs and institutions is refunded not later than March 2012.

ii) The Council ensures that EAC management secures from all the Partner States a blanket exemption of VAT to EAC organs and institutions.

#### Control of Overpayments

The Audit Commission reported that Lake Victoria Environmental Management Programme paid a sum of US\$ 14,825 to M/s Rajair Holidays Ltd on Cheque No.100022 in respect of air tickets for officers attending a workshop. However, photocopies of the same invoices from the same supplier were used to support another payment of US\$ 12,143 by LVEMP through Cheque No.100024 while the balance of US\$ 2,682 was paid through Cheque No.300018 from Safety of Navigation Project. The investigation has since been completed and the service provider suspended. That was the response of management.

The Committee noted that as per the earlier Assembly recommendations, the refund should be verified by the Audit Commission in the subsequent audit and reported to the Assembly.

### **Current Year's Audit Findings**

Lake Victoria Basin Commission

Non compliance with International Public Sector Accounting Standards (IPSAS) 18

Mr Speaker, the Committee urges the LVBC management to fully comply with IPSAS in the set timeframe of two years and report progress and action taken to the Assembly.

Non Compliance with Regulations

The LVBC did not submit financial statements to the Audit Commission within the set deadline under Regulation 79 of the EAC Financial Rules and Regulations (2006), which states, "*the Executive Secretary of the LVBC shall prepare, sign and submit to the Audit Commission draft statements of accounts within ninety (90) days from the end of the financial year.*"

Committee Recommendation

The Committee recommends that the LVBC management should comply with the laws and regulations governing the EAC.

### Wrong Procedures of Contract Amendment

The Audit Commission reported that on 15 October 2009, the LVBC management signed three contracts with a medical doctor for the provision of consultancy services in conducting HIV/AIDS Sero-behavioural study in the agricultural plantations in the Lake Victoria basin of Uganda. The three contracts, without reference numbers and initials of the parties involved, were all used to support payments made to the contractor as shown in the table.

Mr Speaker, as a result, the LVBC signed contracts with the consultant. Nevertheless, it is acknowledged that the original contract for this assignment had not been amended to incorporate funds for procurement of laboratory supplies for the study. However, it is noted that the amendment was not done according to procedures. The LVBC management availed to the Committee a copy of the contract. It is marked as Annex IV.

The Committee noted with concern the manner in which the LVBC management conducted business without following laid down procedures.

### Committee Recommendations

i) The Committee recommends the Assembly to urge the LVBC management that a change in the contract terms should be done through an addendum on the initial contract instead of issuing a new original contract.

(ii) A detailed investigative audit should be done on the activities carried out by the EAC/AMREF Lake Victoria Partnership (EALP) to ascertain if related funds were appropriately utilised in accordance with the EAC financial rules and regulations.

#### Review of the Internal Audit Function

Mr Speaker, the LVBC has only one internal auditor who was unable to accomplish the annual audit plan. Monthly and quarterly reports were not prepared contrary to Regulation 72(4) of the EAC Financial Rules and Regulations (2006).

The Committee noted that despite Council approval for recruitment of an additional internal auditor, the LVBC management has not recruited one.

Committee Recommendation

The Committee, therefore, recommends to the Assembly that LVBC management implement Council's decision by April 2012.

#### Anomalies in the Operations of the Sun Accounting System

Due to its set-up, the system does not allow the recognition of opening balances of depreciation.

#### Committee Recommendation

The Committee recommends to the Assembly that the LVBC management should take necessary steps to address the anomalies in the operation of the Sun Accounting System.

#### Lake Victoria Water and Sanitation (LVWATSAN) Project

The Audit Commission reported that LVWATSAN is a US\$ 129 million project meant to supply water to 15 EAC towns, three from each Partner State - Kericho, Kekoka and Isibania in Kenya; Mayuge, Kayabwe and Ntungamo in Uganda; Geita, Sengerema and Nansio in Tanzania; Nyagatare, Kayonza and Nyanza in Rwanda; and Muyinga, Ngozi and Kayanza in Burundi. The project is supposed to be implemented by the member states but supervised by the LVBC.

#### Committee Recommendations

The Committee, therefore, recommends to the Assembly that:

i) The LVBC management provides project details and progress reports to the Assembly periodically;

ii) The Committee carries out an oversight activity to appreciate and verify implementation of the project.

#### Segregation of Duties

The Audit Commission reported that the Deputy Executive Secretary in charge of Finance and Administration is the chairperson of the Internal Tender Committee of the LVBC. The Audit Commission noted that this is an anomaly.

#### Committee Recommendation

The Committee recommends to the Assembly to urge EAC Management to appoint a procurement and tender committee with immediate effect in accordance with the approved manual.

#### Funds Transfer

The Audit Commission reported that US\$ 650,778 was transferred to implementing institutions and Community Based Organisations (CBOs) being funds for the implementation of the Mt Elgon Regional Ecosystem Conservation Programme (MERECP) activities through national focal point ministries. However, there was no

accountability report and evidence that funds were received by the beneficiaries, as shown in the table.

Mr Speaker, funds may not have reached the intended beneficiaries and late accountability of these funds were not utilised for the intended activities; the Committee is in agreement with this implication stated by the Audit Commission.

The Committee was concerned about management's weakness to follow up accountabilities since 2009.

#### Committee Recommendations

The Committee recommends to the Assembly to urge LVBC management to:

- i) Secure accountability reports and present them to the Audit Commission for verification in the next audit;
- ii) Establish evidence on usage of funds disbursed.

#### Physical Verification of MERECP Activities

The Audit Commission took time off to go and carry out a physical verification of MERECP activities as detailed on page 25 through to 27. I now turn to page 27.

The Committee recommends that the LVBC carries out a monitoring and evaluation exercise on a regular basis on the MERECP projects.

#### PART IV

AUDITED FINANCIAL STATEMENTS FOR THE LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT II (LVEMP II) FOR THE YEAR ENDED 30 JUNE 2010

#### **Budgetary Performance Review**

The Audit Commission reported that 19 percent of the budget was utilised. This implies that the project's targets for the year could not be achieved as expected.

The Committee recommends to the Assembly that the LVBC and EAC Secretariat ensure timely execution of planned activities.

#### Accounting for Imprest

The Committee noted that the area of imprest requires a strong policy because it is recurring.

The Committee further noted that the issue of accounting for imprest is a recurring anomaly in the EAC organs and



institutions. The LVBC management should strictly adhere to the policy governing imprest retirement and officers should be held accountable.

#### Committee Recommendations

i) The Committee reiterates its earlier recommendation to the Assembly that an investigative audit on imprest be carried out within the organs and institutions of the Community.

ii) The Committee further recommends to the Assembly that the Council of Ministers ensures that the policy on imprest in place should be adhered to.

#### PART V

AUDITED FINANCIAL STATEMENTS FOR THE LAKE VICTORIA BASIN  
COMMISSION-PARTNERSHIP FUND (LVBC - PF) FOR THE YEAR ENDED 30  
JUNE 2010

#### **Implementation of the Previous Year's Audit Recommendations**

Funds Transferred to National Focal Point Officers not accounted for

The Audit Commission reported that in the previous report for the year ended 30 June 2009, a sum of US\$ 205,000 was

transferred to the five EAC Partner States from the PF A/C No.21201276400 to support the national focal officers within EAC states. As at March 2010, the said funds had not been accounted for. Subsequent reports say that they accounted and there is a balance of US\$ 97,091 not accounted for as shown in the table on page 30.

#### Committee Recommendation

The Committee recommends to the Assembly that the Audit Commission further establishes figures of funds transferred to the national focal point officers during the next audit exercise.

#### Management of Imprest

The Committee noted lack of clear guidelines in the area of imprest to the extent that some employees left the Commission without retiring imprest.

The Committee, therefore, recommends to the Assembly that:

- i) A report on recovery of such imprest be submitted to the Audit Commission for verification and reported to the Assembly.
  
- ii) A detailed investigative audit be carried out.

#### Dormant Bank Account

It was established that there was a dormant bank account under Lake Victoria Basin Commission being operated in Dar es Salaam, Tanzania.

The Committee noted that the auditors were unable to confirm bank balances and recommends to the Assembly that verification be carried out by the Audit Commission in the subsequent audit.

#### PART VI

CIVIL AVIATION SAFETY AND SECURITY OVERSIGHT AGENCY (CASSOA):  
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

#### **Follow-up on Previous Year's Audit Findings**

##### Segregation of Duties

At the time of audit, the agency was still functioning with one accountant despite the approval by Council to create a position for a second accountant.

The Committee noted that CASSOA management never cared to fill the vacant position and instead elevated the existing accountant to the created position.

#### Committee Recommendations

The Committee recommends to the Assembly that:

i) The Audit Commission should verify the information on the recruitment process of the senior accountant and report to the Committee.

ii) The issue of segregation of duties be addressed urgently.

#### CASSOA Performance

The Committee recommends to the Assembly to urge CASSOA management to improve on performance.

#### Procurement Manuals

The Audit Commission reported that CASSOA had not developed procurement manuals which would provide guidance on procurement procedures.

The Committee noted that the Secretary-General had signed off the manuals in August 2011 but CASSOA had not been informed about this progress.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that CASSOA adheres to procurement manuals.

#### Human Resource Management

The Audit Commission reported that CASSOA does not have a human resource management policy.

The CASSOA management reported that EAC was yet to finalise the manuals for customisation despite the fact that the board of CASSOA had directed customisation of the draft manual for immediate operationalisation.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that EAC management gives utmost importance to the manuals and expedites their finalisation.

#### **Current Year's Audit Findings**

##### Procurement and Functioning of the VOB Management Software

The software was installed and the supplier was paid US\$ 43,920 as per invoice No.30/010. There are anomalies that were cited by the auditors but the implication that was mentioned by the auditors was that:

i) The Audit Commission noted that the above mentioned anomalies may not enable tracking and reconciliation of data from the system.

ii) CASSOA did not obtain value for money due to laxity in management of the procurement process.

The Committee was concerned about the lack of harmonisation of software packages by the EAC management and continuous loss of money due to laxity in management of the procurement process.

#### Committee Recommendation

The Committee, therefore, recommends to the Assembly that:

i) The Secretary-General should ensure that software packages are harmonised within the EAC organs and institutions of the Community.

ii) The system should be tested to ensure that all functionalities are working properly as stipulated in the contract to eliminate all the anomalies noted and all corrections should conform to the requirements of the contract by March 2012.

#### Expenditure Not Adequately Supported

The Audit Commission reported that US\$ 27,813 was spent without adhering to proper procedures as stated in the table.

The auditors note that without adequate support documentation, validity and authenticity of the expenditure is questionable. The CASSOA management took note of the auditor's concerns and promised to rectify the anomaly in future.

The Committee concurs with the Audit Commission's recommendation that for better management of the agency's funds, all expenses incurred should be adequately supported. These supporting documents should be properly kept for future reference.

#### Income Not Sufficiently Supported

The Audit Commission reported that US\$ 880,000 received from civil aviation authorities of Burundi, Kenya, Uganda and Tanzania were not sufficiently supported by a transfer advice note or letter describing the purposes of the funds.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that all transfers from Partner States' civil aviation authorities should be sufficiently supported by

transfer advice notes/letters defining the purpose of the funds transferred.

#### Irregularities Noted in CASSOA's IT Internal Control System

CASSOA did not have IT policies and procedures to guide users of IT equipment. This implies that users may abuse the equipment and information systems. Data could also be lost and corrupted due to lack of controls.

The CASSOA management responded that it concurs with the auditors' observations and concerns and has since developed an IT policy and procedures manual, which is being implemented.

The Committee notes the progress made by CASSOA following the Audit Commission's recommendation and the commitment to address these issues by the end of 2010/11.

#### Inappropriate Backup System

The Committee notes progress and recommends that CASSOA should fully implement the Audit Commission's recommendation that the backup system should be organised in such a way that the disk containing accounting and other data is kept outside the building or other secure location offsite.



#### Operation of Staff Gratuity Account

The account is operated by the management of CASSOA and has three senior management officers as its signatories.

Whereas International Public Sector Accounting Standards (IPSAS) 25 requires that the employees' benefits be deposited in a fund managed independently, it was observed that the agency manages and controls the operations of this account.

The Committee notes that this is the practice in the Community and recommends to the Assembly that the Council of Ministers carry out an overall review in the management of gratuity within the EAC to comply with the provisions of IPSAS 25.

#### Inadequate Internal Audit at CASSOA

Mr Speaker, the audit manual and programme were missing, which may lead to failure to identify weaknesses in the control environment.

The Committee noted the progress made by CASSOA in this area. However, the Committee urges CASSOA to fully implement the recommendations of the Audit Commission.

Failure to Carry Out Inventory Counts for Equipment and Other Property Maintained by CASSOA

This was not done, exposing assets to misappropriation and misuse.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that CASSOA management regularly carries out inventory exercises.

#### PART VII

AUDITED FINANCIAL STATEMENTS FOR THE INTER-UNIVERSITY COUNCIL FOR EAST AFRICA (IUCEA) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010

Mr Speaker, these accounts were qualified, implying they had problems.

Non Compliance with International Public Sector Accounting Standards (IPSAS) 18

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

- i) IUCEA complies with requirements of IPSAS 18 immediately;
- ii) IUCEA enhances capacity of the accounts and audit sections.

Budgetary Performance Review

The Audit Commission reported that a review of the financial statements during the year revealed that Council spent - by Council I mean the Inter University Council of East Africa - a sum of US\$ 2,069,174 against a budget of US\$ 3,874,201 as detailed in the table.

The IUCEA management responded that besides writing letters and making phone call reminders, management will visit and also make follow-up calls to the permanent secretaries of ministries of education of the Partner States to realise better performance and recovery of outstanding balances.

The Committee observed the following:

- i) There is no policy or clear measures to recover remittances.
- ii) There is no performance report in IUCEA.

The Committee recommends to the Assembly that:

- i) A detailed history of contributions be prepared and submitted to the Committee.

ii) Performance reports and activity reports of IUCEA be prepared and submitted to the Assembly.

iii) Measures to recover remittances from Partner States and universities be developed, streamlined and implemented.

#### Management of Accountable Advance

The Audit Commission reported that a review of accountable imprest at the Inter University Council of East Africa revealed instances where some staff did not account for the imprest advanced to them for a period of more than one year while others accounted for lesser amounts than received. The same staff were given more funds without accounting for the previous amounts disbursed to them.

The IUCEA management noted the observation and reported that the issue of imprest has been revised; only accountants handle imprest. The process of deducting outstanding imprest from salaries is underway.

The Committee observed that:

- i) Imprest is not retired;
- ii) There is no clear policy or regulation on imprest handling.

The Committee recommends to Assembly that:

- i) IUCEA adheres to the existing policy on imprest at EAC;
- ii) IUCEA prepares the current status of recovery of imprest and submits a report to the Assembly.

#### Dormant Bank Accounts

The Audit Commission reported that at the time of audit, the following accounts by IUCEA were found dormant - they are shown in the table.

The Committee notes that it is not economical to send an officer to Dar es salaam to close an account of US\$ 51 and advises IUCEA to write a letter to that effect.

#### The Internal Audit Function

The Internal Audit Commission reported that the Internal Audit Unit at IUCEA is still understaffed with only one staff, thereby limiting effectiveness in monitoring programmes and resources at the IUCEA.

The Committee observed the following:

- i) The Internal Audit Unit was understaffed
- ii) There were no internal audit reports
- iii) There was no audit plan.

The Committee recommends to the Assembly to urge the Council of Ministers to:

- i) Ensure that IUCEA adheres to EAC internal audit manuals;
- ii) Ensure that the internal audit function capacity is enhanced.

#### Lack of an Investment Policy

The Audit Commission reported that during the period under review, it was noted that IUCEA keeps some funds in fixed deposit accounts, earning interest at different rates. The audit further revealed that IUCEA had no investment policy to show how the banks were selected and how surplus resources are invested.

It was further noted that a decision to make investments was not presented to the board for approval but instead management. This implies that in the absence of an investment policy, IUCEA is exposed to risks of investing in non-viable ventures and in

unstable financial institutions. Lack of visible executive committee participation consolidates the risk even further.

The IUCEA management responded that it will work towards developing an investment policy aligned to the EAC Investment Policy.

#### Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to expeditiously come up with an investment policy for EAC and create a board to minimise such risks.

#### Lack of a Resources Mobilisation Policy

Mr Speaker, the Committee noted with concern that negotiations with donors do not take into account provisions of the Treaty and Acts governing the institution.

The Committee recommends to the Assembly that:

- i) There is need to streamline the operations and roles of resource mobilisation officers;
- ii) There is need to urge IUCEA to conform to the Treaty requirements on financial management;

iii) There is need for an IUCEA special audit on its functioning;

iv) The IUCEA management urgently finalises the resource mobilisation policy.

### **Review of Governance Issues**

#### Composition of the Audit Committee

The Audit Commission reported that in March 2010, the Audit Committee had been disbanded and a new one was expected to be put in place. By the time of this audit, however, the new one was not in place yet. It was further noted that members of the Audit Committee are nominated by permanent secretaries of member states and not by the board for which it will be part of.

As reported, the practice contravenes corporate governance principles which require that IUCEA shall appoint an audit committee of the board to coordinate audit functions and report to the board.

The Committee concurs with the Audit Commission's recommendation that the Audit Committee should be part of the governing board, and also in nominating the board different areas of specialty



should be considered to enable the board run different committees without difficulty.

#### Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to direct IUCEA to comply with the Audit Commission's recommendations.

#### Management Meetings and Implementation of Executive Committee (Board) Resolutions

The Committee noted with concern that management was not holding regular meetings and, therefore, recommends to the Assembly to urge the Council of Ministers to direct the IUCEA management to regularly hold management meetings.

#### Functions of Board Committees

The Audit Commission reported on the following:

- i) Membership of the IUCEA Council;
- ii) Standing committees of the board

The Committee found that the decision-making process of the Council may be deprived of the timely and prompt expert/technical advice that such sub-committees provide.

Committee Recommendation

The Committee recommends to the Assembly that such sub-committees play a critical advisory role and should, therefore, be established to assist the Council make informed decisions aimed at fulfilling its mandate.

Project and Programmes Management

The Audit Commission reported that the Programmes and Projects Unit of IUCEA was not involved in the monitoring and evaluation of projects and programmes of the institution. No reports were produced for management by the projects and programmes unit. This implies weaknesses in the monitoring and evaluation of projects and programmes since this function is performed by the project staff themselves.

Committee Recommendations

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that IUCEA management puts in place and strengthens the monitoring and evaluation function.

Harmonisation of Organisation Structure, Salary and Benefits to  
EAC

The Audit Commission reported that during the period under review, it was noted that the organisation structure of IUCEA is not in line with that of other EAC organs and institutions. It was further noted that professional staff at IUCEA are not given equal treatment in terms of benefits and salary like those in other EAC institutions. Special treatment was only given to foreign professional staff.

The IUCEA management responded that IUCEA is in the process of harmonising salaries and benefits of its staff with those of EAC structures.

Mr Speaker, the Committee concurs with the Audit Commission recommendations that:

i) There is need to harmonise the organisation structure and other benefits of the institution to the EAC. This will go a long way in helping IUCEA to recruit, retain and motivate competent staff.

ii) Payroll lists should be prepared by the administrative unit and be submitted to the accounts unit for checking and payments.

Delay in the Construction of IUCEA Office Building

The Audit Commission reported that construction of the IUCEA headquarters building had delayed despite provision of land in 2007 and contributions of US\$ 1,000,000 from Tanzania and Kenya. At the time of this audit, building works had not started.

The risk is that IUCEA will continue to incur rental costs to the tune of US\$ 75,432 per year. Delay will also lead to additional costs from increasing prices of construction materials.

Management informed the Committee that since then, procurement processes have started. A company was selected to design the structure and the design has been submitted and construction would start in June 2012.

The Republic of Kenya and the United Republic of Tanzania have contributed US\$ 500,000 each. Phase I shall be construction of offices while Phase II will be construction of the conference hall.

The Committee observed that the project is unduly delayed and information on its implementation is not readily available. The Committee therefore concurs with the Audit Commission

recommendation that IUCEA management fast tracks the building project so that it can be implemented within a reasonable timeframe to avoid uncertainties and associated risks.

Weakness Noted in IT Control Environment

Mr Speaker and Members, I refer you to page 44. You will get time to read through those weaknesses. I believe all Members are IT compliant and they know the weaknesses related to that.

The Committee concurs with the Audit Commission recommendation that:

i) Management should have the IT policy document approved by the Executive Committee as required by the enabling Act.

ii) The Council should come up with a clear policy document on measures to restrict access to its data and information by the company that services and maintains the system and any other third party for that matter.

iii) The Council should urgently consider increasing the number of staff in the IT unit in order to ensure there are adequate checks and balances in the unit.

iv) The Council should put in place stringent physical and environmental control measures like smart access cards or biometric access devices, fire detectors and water detectors to enforce security of the IT system.

#### Incompatibility of Responsibilities

The Audit Commission reported that the Executive Secretary of the Council is the chairperson of the Internal Tender Committee as well as member of the External Tender Committee of IUCEA as per service regulations. This implies that the independence of both internal and external tender committees is impaired due to influence from top management of IUCEA.

The Committee was informed by management that the anomaly has been resolved, pending verification by the Audit Commission.

#### Review of IUCEA's Service Regulations

The Audit Commission reviewed IUCEA's service regulations and noted the following contradictions - There are a number of contradictions and the implication is that, there is violation of the East African Community Treaty and the IUCEA Act, 2008.

The Committee concurs with the Audit Commission recommendation that the management of IUCEA should revise the Financial Rules and Regulations Chapter 1, Regulation 1.4 (f), to comply with Article 134 of the EAC Treaty and the IUCEA Act, 2008, Section 16(2).

#### Depreciation Rates

The Audit Commission reported that computers and office equipment had been depreciated at unrealistic rates of 25 and 10 percent respectively.

The implication is that unrealistic depreciation rates overstate the book value of assets by not considering the useful life of the assets.

The IUCEA management reported that since then, the depreciation rates have been harmonised with those of the EAC Secretariat.

The Committee notes progress as reported, pending verification by the Audit Commission.

#### Accounts of Advances to Staff with Negative Balances

The Audit Commission reported that some accounts of advances given to staff had negative closing balances as at 30 June 2010. The details are in the table.

The implication here is that errors and other irregularities may have been committed during the process of posting transactions in these accounts. The Committee subjects the response to the Audit Commission for verification.

The Committee also observed that there is lack of seriousness and poor record keeping.

The Committee concurs with the Audit Commission recommendation that management of the council should investigate these accounts with negative balances and make adjustments in their books of accounts accordingly.

#### Property, Plant and Equipment

The Audit Commission reported that during the period under review, a net book value of property, plant and equipment was US\$ 933,595 while note 14 shows a net book value of US\$ 940,774, making a difference of US\$ 7,179. This implies that the net book



value of property, plant and equipment as reflected in the statement of financial position may not be fairly stated.

The Committee concurs with the Audit Commission recommendation that management should make the necessary adjustments.

#### Cash Flow Statement

The Commission reported that at the time of the audit, comparative figures of 2008/09 presented in the cash flow statement differ with those in both the statement of financial performance as at 30 June 2010 and the statement of financial position as at 30 June 2010.

This implies that figures shown as comparatives in the cash flow statement are not reliable and the cash flow statement does not provide adequate information to show the cash movements during the year. Accordingly, it may be misleading to the users.

The Committee concurs with the Audit Commission recommendation that IUCEA management should make the necessary adjustments and ensure that the cash flow statement is prepared appropriately.

#### PART VIII

AUDITED FINANCIAL STATEMENTS FOR THE INTER-UNIVERSITY COUNCIL  
FOR EAST AFRICA BIO-EARN PROGRAMME (IUCEA-BIO-EARN) FOR THE YEAR  
ENDED 30TH JUNE 2010

These accounts were unqualified.

Review of Accountabilities of Research Funds Disbursed to  
Participating Institutions

The Audit Commission reported that a review of payment vouchers and other support documents related to accountabilities for research funds disbursed under the IUCEA-BIO-EARN programme showed no evidence of reviewing, approving and verifying these accountability statements by the IUCEA-BIO-EARN programme management.

The implication is that there is a risk that support documents for the accountabilities were not reviewed, making it difficult for management to detect any irregularities in payments made in utilising amounts transferred to the partnering entities. Research funds may have been utilised for other activities instead of the intended purpose.

Management responded that it will ensure that appropriate accountability statements for all research funds disbursed to participating institutions are submitted to the regional coordinating office on time and verified by the internal auditor.

The Committee concurs with the Audit Commission recommendation that management of IUCEA-BIO-EARN programme should ensure that appropriate accountability statements for all research funds disbursed to participating institutions are submitted to the regional coordinating officer on time and verified by the internal auditor.

#### The Internal Audit Function Review

The Audit Commission reported that during the period under review, it was noted that IUCEA-BIO-EARN programme has only one staff, the internal auditor, who does not comprehensively review and verify accountability statements of research funds disbursed to participating institutions, making it difficult to detect any irregularities.

The Committee concurs with the Audit Commission recommendation that the management of the IUCEA-BIO-EARN programme should

ensure that the internal audit functions are well financed and the capacity of the internal audit function should be improved by employing more staff.

Research Funds Disbursed to Participating Institutions (Researchers) without any Acknowledgement of Receipt

The Audit Commission reported that a review of IUCEA-BIO-EARN programme's expenditure and related supporting documents revealed that funds amounting to US\$ 2,288,256.5 were disbursed to participating institutions for the year 2009/10 to conduct research activities. However, no evidence acknowledging receipt of funds by participating institutions was obtained. A list of those many projects is attached from pages 50 to 51. This was contrary to IUCEA's Service Regulations of September 2001, Reg.4.10.3 (iv), which states that payees shall be required to acknowledge receipt of payment, as shown in the table.

The implication here is:

- i) Violation of the IUCEA's Service Regulations September, 2001 Reg. 4.10.3 (iv);
- ii) The research funds disbursed may not be used for intended purposes.

The Committee concurs with the Audit Commission recommendation that for purposes of ensuring proper accountability and monitoring of the programme funds, management of IUCEA-BIO-EARN programme:

i) Should ensure that all research funds transferred should be acknowledged by participating institutions.

ii) Official acknowledgement receipts should be part of the basis of the accountability report of the funds transferred to participating institutions.

iii) The Committee further recommends to the Assembly that management should provide receipt acknowledging expenditure failure of which disciplinary action should be taken.

#### PART IX

AUDITED FINANCIAL STATEMENTS FOR THE INTER-UNIVERSITY COUNCIL FOR EAST AFRICA VICRES INITIATIVE PROJECT (IUCEA-VICRES INITIATIVE PROJECT) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2010

These accounts were qualified.

### Research Funds Advanced

The Audit Commission reported that US\$ 3,635,229 was disbursed to different universities and other higher institutions of learning from project bank account No.0344226601 in Barclays Bank to support research activities around the Lake Victoria region.

The implication here is that there is uncertainty as to whether the transferred funds were used for the intended purpose. At the time of the audit, however, the said amount, including the opening balance of US\$ 2,096,407, had not been accounted for by the partnering institutions.

The committee observed that there is uncertainty as to whether the transferred funds were used for the intended purpose.

The Committee concurs with the Audit Commission's recommendation that management should do a follow-up with the respective partner institutions to ensure that the related accountability documents are submitted for verification.

### Depreciation Rates

The Committee concurs with the Audit Commission recommendation that management of the Council should review the depreciation policy and related rates used.

#### General Recommendations

Mr Speaker, out of the interaction with the executives, the Committee came up with general recommendations obtaining from the observations in the report:

i) The Committee recommends to the Assembly that there should be a comprehensive investigative audit by the Audit Commission facilitated by EAC on the management of imprest in all organs and institutions of the Community by May 2012.

ii) The Committee recommends to the Assembly to urge the Council of Ministers to cause total payment of all pledged contributions to all organs and institutions of EAC by Partner States on time.

iii) The Committee recommends to the Assembly to urge the Council of Ministers to prepare a brief on all policies and manuals of EAC and submit to the Assembly.

I want to skip to (iv)

v) The Committee recommends to the Assembly to urge the Council of Ministers to compile all the VAT outstanding owed to all EAC organs and institutions detailing the recovery plan and reports to the Assembly by April 2012.

vi) The Committee recommends that the Council of Ministers compiles a comprehensive list of all the Partner States' contributions to all the EAC organs and institutions detailing the status of each Partner State's contribution to-date by April 2012.

## PART X

### ACKNOWLEDGEMENTS

The Committee extends its appreciation to the following persons and institutions that enabled it to execute its mandate:

i) The Rt Hon. Speaker, the Clerk and the entire management of EALA for the facilitation that enabled the committee to finalise its work.

ii) The Secretary-General, heads of organs and institutions of EAC and their technical teams for availing themselves to clarify



on issues raised by the Audit Commission on financial statements of EAC and its organs.

iii) The Audit Commission for fulfilling their obligations pursuant to the provisions of Article 134 of the Treaty and guiding the Committee on the financial statements of the EAC organs and its institutions.

Mr Speaker, thank you very much for the opportunity and Members, thank you very much for listening. I beg to submit. (*Applause*)

**THE SPEAKER:** Honourable Members, the proposal on the Floor is that the report of the Committee on Accounts on the EAC Audited Accounts of the Financial Year 2010/11 be adopted. Debate is open.

**MR CHRISTOPHER NAKULEU (Kenya):** Thank you, Mr Speaker. I first want to thank the people of the Republic of Uganda for their warm hospitality to us since we came here.

I want to go straight to specific areas in the report. I also want to declare that I am a member of this committee; my

deliberation on this report will not differ from what the chairman has put forward.

Mr Speaker, I want to go to page 2, under lack of accounting and procedural manuals. You realise that since 2007 when we first joined this Assembly, we had been agitating, time and again, that there is need for the Community to have these manuals in place. Up to now, all these manuals have not been put in place and if there are those that are there, they are not operational.

On the issue of risk management, the East African Community will not be able to detect and even ascertain the risks that the Community is bound to face. Therefore, there is inability for the Community to lack mitigation measures over it.

On page 17, the chairman has clearly put forward the issue of RV Jumuiya. I am very happy to note that RV Jumuiya has finally been put to order, although there are still some navigation problems in Lake Victoria due to a resurgence of the water hyacinth. It is my hope that the East African Community Partner States will find a way of dealing with the water hyacinth. Water hyacinth can prove to be very controversial; in the morning, it is on Kisumu side, in the afternoon, it is in Mwanza. Therefore,

since it has learnt to dodge people, there is need to devise a mechanism to also dodge it - (*Laughter*) - or to find it there.

On the issue of accounting for imprest, we have an extensive list of imprest which has not been recovered. It is incumbent upon the EAC Secretariat and specifically the Lake Victoria Basin Commission to find a way of making sure that all imprest is recovered on time. An officer who does not retire his or her imprest on time needs not to be given more imprest or he or she should not even be sent for further duties of the EAC.

Looking at the list of accounting for imprest - if you consider Dr Rose Mugidde - some of these officers might have left the institution. If they have left the institution, what mechanisms does the Lake Victoria Basin Commission Secretariat have in place to recover this money? If you consider another officer, previously he had about US\$ 9,000 pending imprest and in the subsequent year, he is added more. This shows some degree of financial imprudence, which needs to be tackled on time.

There is also need for the Council of Ministers to put strict measures on the issue of imprest such that any officer who does not retire imprest on time, the money is recovered immediately

from his salary. It is even very funny; some of these officers are carrying money which is more than their gratuity, so what will prevent such officers from disappearing with the money?

Finally, Mr Speaker, the chairman in his remarks has attributed the success of this committee to you. For posterity purposes, I am suggesting that once we set a precedent, that precedent should be carried along up to the end. When I was the chairman of this committee, I was handling about seven documents of the Community in 10 days. These documents have since increased. There should, therefore, be a corresponding increase in the number of days to make Members comfortably cover the work adequately and produce it on time. This is one reason why this report delayed for three to four months before it came to the Floor of the House.

We, as an Assembly - for those of us who will be there - can we pass a resolution that we must have a budgetary allocation to allow Members cover the reports of the House adequately, effectively and efficiently. Mr Speaker, I beg to support.

*(Applause)*

**MR AUGSTINE LOTODO (Kenya):** Thank you, Mr Speaker. I also want to thank the people of Uganda for hosting us and giving us the necessary space to do our work.

My contribution to this report is going to be short. If you carefully go through this report, you will note that we really need to come to an understanding that we need a serious organ to audit the Community. I did say some two or three years back that in the European Union, they have a different organ that audits the whole European Community.

I think it is very important that this report shows that there is a lot to be done, and it shows that there are weaknesses. If we are not serious in dealing with them, then moving to the next stage of being a commission and the so many institutions that we are supposed to create as we come together - I think we need to put our House together first. This report shows that there are a lot of weaknesses.

This brings me to the last issue, which this House has raised often, about the Ministers residing in Arusha. I am saying this because some of these things are just sheer managerial

inefficiencies. It is just lack of administrative oversight over some of these issues.

I want to thank the committee for coming up with this report and I think it shows that we really need to see this Community move forward. We want to implement the tri-partite but we cannot have some of these mistakes that we keep on repeating year after year. Thank you, Mr Speaker.

**MS SAFINA TSUNGU (Kenya):** I thank you, Mr Speaker, for this opportunity. I also want to add my voice in thanking the Republic of Uganda and the people of Uganda for the warm welcome that we always enjoy when we are here. I also want to thank the Committee on Accounts for having yet again produced another masterpiece.

Mr Speaker, I want to speak on the following issues: One is on pages 5 to 6 of the report, which is on the issue of office space. It is amazing that for five years, the EAC has seen it fit to pay for office space that it does not use. I remember that every year the Audit Commission captures this in their report and every year a recommendation is made that this matter be put to rest but nothing comes out of that. So, is the Audit

Commission really a body that the EAC as an institution respects? If it makes recommendations and those recommendations are not taken on board, then why do we have the Audit Commission doing work every year without us respecting those recommendations?

On page 18, there is the issue of imprest, which has already been highlighted by hon. Nakuleu. We were told by the Committee that some of the staff members on that list are no longer in LVBC. What the Committee does not tell us is how many they are and the proportion of the imprest that those members who are no longer staff members hold. That would tell us the significance of the bad debts that the LVBC and also the EAC Secretariat can allow.

If you have members leaving an institution with debts and unpaid figures, you need to have thresholds. How much will you allow? Up to what percentage? The Committee does not tell us that, and I think it would be good for us to be able to know of these matters. How much of it are we sure we can be able to recover and how much of this will be foregone?

On the issue of the LVBC on page 21, again on the triple payment of the three contracts that were made on the same job, the committee report says, "*The three contracts without reference numbers and initials of the parties involved were all used to support payments made to the contractor as shown below.*" What I am at a loss about here is, does that statement mean that this contractor was paid three times for all those figures - the US\$ 108,000 and others all the way to US\$ 137,171? Were there three payments made? This would then inform the kind of recommendation that the Committee would give to the House.

Lastly, the issue of the IUCEA; I see that there are quite significant amounts of money that IUCEA owes the Partner States as remittances that have not been paid as yet. I am wondering because this, again, is an issue that has always come to this House every time an audit report is made and every time the Budget Committee sits to allocate funds to IUCEA.

Is it because IUCEA is more of a club of the willing, that it is not a mandatory organisation that every university or every institution of higher learning should be a member to, that there is so much laxity in the Partner States to give money to an institution that is by virtue of the Treaty an institution of



the Community? If that is the case, shouldn't the measures, which the Committee recommends to be put in place to ensure that monies can be recovered from the outstanding mechanisms, include probably change in the architecture of the IUCEA itself? Instead of it becoming a club, for example, it becomes more of a body that all institutions of higher learning must be members to.

As shown on page 50 to 51, institutions of higher learning get monies. You have, for example, the University of Dar es Salaam; 10 percent of the money given to the University of Dar es Salaam has no proof or acknowledgement of receipt. That is 10 percent. You have 35 percent of the money given to Addis Ababa University and there is no acknowledgement whatsoever, and yet the total of this is US\$ 1.5 million. So, my question is, is it that the IUCEA's architecture itself creates room for people to get away with things or is there another problem?

Mr Speaker, I beg to support the report as read by the Committee but I wish them to be able to give us information on the areas that I have highlighted. I thank you.

**MS CATHERINE KIMURA (Kenya):** Thank you, Mr Speaker. Let me declare at the outset that I am a member of this committee.

I want to commend our chairman for steering the Committee during the period this report was being prepared. As a member of the Committee, I felt that he was overworking us because, as hon. Nakuleu said, the time given for us to prepare this report was limited. Nevertheless, he did urge his members to work late into the night. When we were in Bujumbura, we worked both Saturdays and Sundays up to 8.00 O'clock. For the time that we have been here, some of us, including him, gave up going to where the rest were going so that we could finish the report. I want to ask that all this be taken into account. The work of this committee is statutory, it has to be finished within a particular time, and therefore, it should be funded accordingly so that we do our job without being unnecessarily stressed.

Having said that, I want to commend the management of the EAC because over the years, we have seen an improvement in the way their accounts have been prepared. It has come a long way. I remember the very first time we did our report - we were actually sitting here in Kampala - we had major challenges. It did appear then that even the management did not have full appreciation of some of the projects that were being undertaken.

Mr Speaker, I just want to generally speak on one issue that runs right through this report, and that is the issue of governance. It appears that the EAC management needs to really tackle this problem of accountability and instituting the relevant governance structures. Whether it is in the areas of imprest both at the headquarters and within the institution, it is an issue and a serious one. Whether it is in the area of internal controls, it is an issue.

I am glad that this morning the Deputy Secretary-General Finance and Administration did say that they now can start recruiting some of the very essential staff that had not been recruited in the last two years, particularly accountants and auditors, for our institutions. You will see that in some institutions, the person doing procurement is the same person who is paying, who is preparing the accounts; surely, there cannot be governance in a situation like that. There must be separation and segregation of duties in order to get proper financial accounting.

The issue of governance runs in the way funds are transferred to partners - the institutions partnering with either our institutions or with the EAC. Once this money is transferred, there is no way of following up to see that that money was spent

on the project for which it was meant. Even where it has been spent, what value has been brought into the Community? There does not seem to be accountability reports from these partners.

The IUCEA is a case in point where they give a lot of money to researchers all over East Africa but we were not shown, or the Audit Commission said they have not seen, any evidence that so and so got money to do research on a particular item and they have produced this report. There must be accountability reports. There is a lot of money; I think it is over US\$ 1 million. Surely, if I get money to do research on malaria, I must produce a report for the community that I did that work. So, this is an area that really needs to be addressed both by our institutions and the EAC management itself.

There is the issue of honouring the manuals that are in place. There are procurement manuals and human resource manuals that are now in place, but all these need to be operationalised so that people can follow specific procedures as they go about their duties. The Committee did insist, I think two years ago, that they do put these manuals in place. We asked that they be tabled to the Assembly and we understand that most of them are now in place. Let us hope that by the time we do our next audit,

the issue that officers and personnel of EAC are not following manuals is a thing of the past. It is only through adherence to these manuals and financial procedures that we as an Assembly can fully say we are accountable for the funds that are given to us by the citizens of East Africa. Thank you, Mr Speaker. I beg to support.

**MS DORA BYAMUKAMA (Uganda):** Thank you, Mr Speaker, for giving me an opportunity to contribute to this motion. From the onset, I would like to say that I support the motion as a member of the committee who has diligently served for the last four and a half years. I believe now I am an expert on the issue of auditing.

I would like to add my voice to those before me who have hailed the positive response of our heads of state, starting with His Excellency Mwai Kibaki, who got the highest honour that Makerere can give to any distinguished persons, Doctor of Laws. We look forward to awarding this to many other distinguished East Africans. (*Applause*) I would also like to pay tribute to His Excellency President Yoweri Kaguta Museveni, who ardently supports the East African Community and is always ready and willing to give advice and new ideas on justification for integration.

Mr Speaker, allow me to also take this honour and pleasure to welcome all our colleagues from the other Partner States who have joined us in this beautiful Republic of Uganda, also known as the Pearl of Africa.

I have a few comments. The first one is on the issue of the audit function. I want to thank this Assembly, under your wise leadership, which determined that this audit function should be spread to all organs of the East African Community.

For the first time, we are having the Inter-University Council of East Africa being audited. We have information that this distinguished body, which is one of the few surviving institutions of the former East African Community, was being audited by a very prestigious audit firm. However, I would like to say that when the Audit Commission did its work, we found that there were several areas which were wanting, so it posed a question in our minds as to whether this particular function was being carried out in the way that it should have been.

I would not like to bring this up as a controversy although it is an issue, which is on record and on which we would like to

get some more information from the Inter-University Council of East Africa. It is a paradox that you could have highly prestigious firms doing the audit function and yet when our own Audit Commission did its work, we found that there was a lot missing.

Mr Speaker, having said that, I would like to bring out a fact which I think should be of concern and which our chairperson, hon. Mulengani, did bring out. This is articulated on page 37. In case he did not read it, I just want to emphasise it: *"The Audit Commission reported that a review of the financial statements for the year revealed that the Council spent US\$ 2,069,174 against a budget of US\$ 3,874,201. Total income for the year was US\$ 1,676,624 against a budget of US\$ 5,889,581. Funds flow from Partner States and donors was not commensurate to the planned contributions. As at 30 June 2010, an accumulated sum of US\$ 10,499,219 was outstanding from four Partner States as detailed below."* It goes on to show the details.

Obviously, from the table you can see that this is a lot of money. You have Tanzania having accumulated an outstanding amount of about US\$ 1,686,193; Kenya, US\$ 5,019,097; Uganda, US\$

3,349,002 and Burundi US\$245,966. We were informed that the Republic of Rwanda was fully paid up.

Why am I saying this? I am saying this because when we got figures this morning from the Deputy Secretary-General on the issue of remittances from Partner States, it was showing the remittances which support the budget, for example, of the East African Court of Justice, the Assembly and the Secretariat. We did not get the full picture of other remittances which accrue to entities such as the Inter-University Council of East Africa and Lake Victoria Basin Commission. Therefore, as my colleague hon. Kwekwe said, it is as if these particular entities are outside the realm of the East African Community.

I think this is a grave anomaly and as we debate this motion today, the Inter-University Council for East Africa is actually in grave danger of operating in the red and failing to pay salaries. I am not exaggerating this. The Committee members can bear witness to this. We need to use this opportunity to urge the Partner States. I hope before we conclude this debate, the Chair of the Council of Ministers will have come up with some kind of solution to bail out this entity, one of the few



surviving entities that we still have, so that we do not kill it even when it survived the very worst of times.

My second point is on the issue of audit. This morning, again from the Secretariat, we heard that most of the resolutions that we have made have been adhered to. However, as we conclude, I think it is high time that this Assembly gives the Accounts Committee some time to sit with the Secretariat to do a proper audit as to whether the recommendations have been implemented. As it has been noted, we have requested for manuals, we have requested for policies, we have requested for implementation of international standards but this does not seem to be forthcoming.

Let me give an example of a very important project which is known as the MERECP project. This is a very important project, and I am glad that we have hon. Nangale George who is coming up with a transboundary ecosystems management. Up to this day, even after the Audit Commission went to do a performance audit, they still could not clearly ascertain as to whether the money which was committed to this very important project was put to use. This leaves us with doubts as to whether we can continue operating this way.

I hope, and I believe, that the Council of Ministers will support the Transboundary Ecosystems Management Bill so that we have a law, which will enable us handle these issues of trans-border nature in a more practical way rather than depending on entities that are answerable elsewhere. As you know, honourable members, we had a case where some of these projects were being destroyed by some people in the different Partner States. When it comes to accountability, it is very difficult for us as an East African Community to enforce what we plan if we do not have an apex body to handle this particular issue.

Finally, I would like to talk in general about some of the observations which have been made. One particular observation that is coming up and has caused us grave concern is the issue of imprest. You find that in most of the entities, imprest has been advanced. You also find that even when imprest has not been retired in accordance with the regulations, more imprest is advanced. You find that in some cases, those people who were advanced imprest left the organisation and nobody was able to say, "Before you leave, you must retire this imprest."

Mr Speaker, this is very disturbing because when we come together as the East African Community, we expect to adopt best practices. When we do not adopt best practices and we fail to adhere to some of the rudimentary practices in accounts such as retiring imprest, then this does not give a good name to the work that we do. Of even greater concern is that most of our economies are struggling, so the little money which is being committed to further the integration process should be managed effectively and efficiently.

With those few comments, I beg to support the motion and I hope that it will be supported by everybody. I thank you.

**MR DANIEL KIDEGA (Uganda):** Thank you so much, Mr Speaker. As a Member of this Assembly from this country, allow me to join my colleagues to welcome you to Uganda. I will invite you to enjoy one of the most abundant natural endowments of Ugandans, which is hospitality. Ugandans are very excited to see you around.

Allow me also to pay tribute to our two presidents, President Museveni and President Kibaki, for the great input they have given us during this session in the State of the Community Address and, for President Museveni, as the host President

welcoming us to this country. This Assembly will always remember them for that. (*Applause*)

During this session, there has been very intensive interaction of Members of the Summit in this country. I would like to take the opportunity to congratulate our good friend, President Kagame, for the prestigious award the NRM Government has given him for his contribution towards the liberation struggle in this country. I deeply congratulate him. (*Applause*)

Mr Speaker, I have four comments on the report. From the onset, I would like to congratulate hon. Mulengani Bernard and his committee for the great work they have done, and I support the motion.

When you read through, there is a threading theme in the entire report and it is the issue either of leadership or governance which is weak. This Assembly, through a motion moved by hon. Sarah Bonaya, urged the Chairperson and the entire Council of Ministers that we have ministers resident in Arusha. (*Applause*) This motion was overwhelmingly supported; no single Member of the Council of Ministers opposed this motion, and the House indeed passed it. To-date, no action has been taken. This is one

of the reasons we are reaping this, because of absence of political supervision in Arusha.

I know that with technology today, you can supervise using remote capabilities like computers but it is my strong conviction that the presence of political leadership in Arusha will go a long way to solve some of these problems. So, I think this motion which we passed should be attended to. I pray to the Chairperson, Council of Ministers, who has started so well, to do us a favour and implement this motion before our term expires.

The second comment is from page 5 on the question of the tenancy contract. To me, it seems like we are illegally in the AICC complex, that the tenancy contract has expired. As if that is not enough, we are paying for more than the space we are utilising. I think this goes without mention; if I were part of the administration, I would cut from the rent due. We would pay less than what we have paid in advance because the Community is losing. I think we cannot take time and wait for this money to be recovered. It must be recovered. These are painful resources of taxpayers of East Africa. It must be optimally utilised, Mr Speaker. I thank the Audit Commission for coming up with this.

It is important that we really appreciate the work done by the Audit Commission. This Commission feeds the Accounts Committee with the raw material for their work. I am personally very grateful to the Commission for the work they have done.

The third comment is from page 15, on reporting mechanisms. The Committee queried why the quarterly project reports were not present. The response was that the report was submitted to the donors but copies were not at the Secretariat. It sounds light but I think this is a fundamental problem.

I am sure there is a standard practice of reporting or a mechanism of reporting at the Secretariat. If it is not there, it must be designed. A report related to our integration process cannot be kept by the donors; it must be at the Secretariat. Donors support us, which we are very grateful for, but we must keep the report. In fact, I feel that the report must first be submitted to the Secretariat and then later to the donors, maybe for accountability matters on their money, but copies must always be kept at the Secretariat.

Finally, on page 17, the water hyacinth; the Committee has reported that the RV Jumuiya cannot move because of the water hyacinth on the lake. I will look at this from a bigger picture more than the vessel. Lake Victoria is a glorious resource that this Community has got. Fresh water is a serious resource that the world may be struggling for very soon and we are endowed with this collection in Lake Victoria. I would like to know - maybe the Chairperson, Council of Ministers, can tell me - what harmonised practise is in place to deal with this problem of the water hyacinth?

I know there was a huge problem in Uganda, particularly around the Owen Falls Dam, but I do not see it any longer. The last time we went to Homa Bay, there was a serious problem on that side of Kenya and I did see the same in Mwanza.

I know there are three approaches which can be used, which were highly debated among the technocrats in Uganda and elsewhere. The debate was on whether we use a mechanical approach, using machines to physically remove this water hyacinth, or we go the biological approach by introducing living beings like beetles and weevils into the lake to eat up the water hyacinth. The question then was, after we have fed these weevils and beetles

and they have grown and become many in number, how shall we deal with them to eliminate them? The final idea was to use the chemical approach - spraying them - which is the harmonised practice being used on the lake. This lake has a lifespan, which can get shorter if we do not pay much attention to it. I thank you so much, Mr Speaker. I beg to support.

**MS JACQUELINE MUHONGAYIRE (Rwanda):** Thank you, Mr Speaker. First of all, I wish to thank the Government of Uganda, the Parliament of Uganda, the people of Uganda and our colleagues from EALA Uganda Chapter for the warm hospitality since our arrival in this beautiful country of Uganda, as usual.

I wish to commend the EAC management for a big improvement in the management of the EAC affairs. I also wish to commend the Audit Commission for the work well done in auditing the EAC financial statement 2009/10.

Mr Speaker, the Audit Commission this time prepared an Audit Commission chairman's brief, which was really a very important tool to guide the Committee on Accounts. If I can share with you on the brief submitted by the Audit Commission; we have been informed on general issues of all institutions and organs of the



Community. These general issues and challenges included the late submission of accounts, submission of incorrect accounts, submission of unsigned accounts, late provision of audit information, the lack of preparedness by the audit and inadequate response to audit queries.

Mr Speaker, these challenges are very important and they can lead to an incomplete and incorrect financial statement. This is why the Committee, while analysing this audit report, noted some errors in the financial statements and information and data. So, it can lead to the questioning of their accuracy and the truth of the documents on the financial report submitted to the Assembly. This means that next time, I think even if there is a big improvement in reporting, there is need really to concentrate and focus on financial information in order to have a clarity and completeness on financial statements for the East African Community budget.

Regarding the management of advances and imprest, the Audit Commission noted that there were delays in retirement of imprest after completion of the activity. This issue is very critical because in EAC, it is becoming a common practice where this is opening a window for interest-free loans in management of

advances and imprest. So, I think the EAC management should really put more effort to ensure that imprest is clearly and properly managed. I also beg that the Assembly supports this recommendation for an investigative audit for imprest and advances in the Community, in order to have a clear picture for the next audit and reporting.

Regarding the EAC Partnership Fund, on page 13 of the report, and compliance with donor agreements, the Audit Commission reported that during the period under review, there were no funds transferred to the Partnership Fund from EAC Partner States. This was contrary to the Partnership Fund's Regression Article 6(d), which states that the EAC Partner States' contribution to the Fund shall be considered as an integral part of their contribution to the EAC budget. The EAC management responded that the requirement has been waived in the new agreement.

The Accounts Committee, having noted that there is high dependence on development partners by EAC, has recommended that it is very important for the Community to initiate other financing mechanisms for sustainable financing of its activities, mainly its core activity. Responding that the

requirement has been waived, to me, is not a solution. I think the counterpart fund, or the Partnership Fund or the donor support is very important because it can be taken as an indicator of ownership of a project or of the fund. I think this requirement being waived should be looked at and we see if it is a proper solution. With these few remarks, I beg to support the motion. Thank you, Mr Speaker.

**MR MIKE SEBALU (Uganda):** Thank you very much, Mr Speaker. I do stand here to support the motion as moved by the Chair of the Committee on Accounts. I want to thank him and the Committee for a great job they have done in terms of giving us a comprehensive report about the state of affairs as regards the finances, the accounts and other incidentals in that respect.

I also want to join colleagues who have acknowledged the hospitality and the courtesies that have been extended to EALA. I am a member of EALA and I am enjoying the same courtesies and hospitalities like my friends. So, we want to thank the Government of Uganda and the people of Uganda, the Speaker of Parliament and all Members of Parliament for this enabling environment that they have accorded us to be able to fulfil our

mandate of representing the East Africans, legislating for them and doing oversight for them just like we are doing right now.

As for the Excellencies, definitely they did us proud and we are always indebted to them. As a Ugandan, I want to say that last week and this week has been something that we have been very proud of, playing host to two heads of state from the Partner States. As already acknowledged by my colleague, hon. Kidega, having the former Chairperson of the African Union and then having EALA in town is not something we can take for granted. Mr Speaker, we want to thank you for having enabled us to be here to do our final round of duty in Uganda as we walk the slippery road of the expiry of our term.

I specifically want to thank this committee because it makes our work easy as a parliament. We all have a responsibility of oversight but then we get a good bearing from a report like this one of general nature that looks at the entire institutional framework of EAC, therein we get specific areas of concentration as committees to do with our specific sectors. So, this becomes a working document for all the other committees in terms of concentrating on our specific areas.

I would like to thank you for that because therein, we have a number of areas that we are going to follow up on as specific sector related committees. This will enable us ensure that at the end of the day, we have return for money and that the East Africans are not getting a raw deal out of the integration agenda. So, this is definitely a very important exercise and it sets the mood and the pace for other committees to be able to fulfil their specific mandates.

Something that we need to appreciate at this point in time is that the East African Community has grown. Like His Excellency Yoweri Museveni put it the other day, it was an egg and it is now a *joggo*. That statement needs to be translated in many respects - the scope has increased, the coverage has increased, the activities have increased, and the interest even from the perspective of the East Africans has increased. So, we need to look at it from that angle and then be able to come up with interventions that are responsive to the demands of the day.

The East African Community of today is definitely different from the one of 2001, even in terms of the human resource as it were. Therefore, it calls for all of us to look at this from a broader perspective and then we are able to appreciate the bigger

picture. We need to look at more enhanced professional capacity in this respect. We need to look at more enhanced technical capacity. We also need to look at supervisory capacity. I am not going to underscore the issue of supervisory capacity. I entirely agree with hon. Catherine Kimura on matters of governance and more so corporate governance.

I do agree with the submission of hon. Kidega and someone regarding the political supervision at Arusha. Definitely, the Chairman Council and honourable Ministers who are members of Council, this is an area of interest both to us and hopefully to you. It will enable us increase supervision at Arusha and ensure that delivery and implementation is up to the expectations of all the interested parties.

As I conclude, I want to say that the issue of the institutional review looks like it is standing in the way of everything. It is only through the institutional review that we can get the requisite level of staffing, the professionalism that we are looking for, the technical capacity that we are yearning for, and the supervision that we want. However, you find that all the time, we are talking about the institutional review not being ready. When you look at page 4, the Committee has noted ably the

response from the Secretariat. So, my question is, when are we going to get the institutional review out of the way so that we are able to deal with all these issues of capacity?

We are suffering from capacity gaps and we need to fill these gaps and be able to do work in a manner that will bring a good return on investment from the East African people. So, the issue of capacity building and the issue of institutional review is something that needs to be handled and concluded sooner than later. At some point we thought that it was done. Two years had been dedicated to that exercise so we really expected it to have been out of the way so that everything regarding that matter is well achieved.

There are issues of commissions and omissions. These have been very well identified across the board and recommendations have been made by the Committee to this august Assembly and ultimately to the Council of Ministers. The question I want to ask is, what remedial action is envisaged if these recommendations are not adhered to?

Time and again recommendations have been made on the Floor of the House but you find that in subsequent reports of the

Committee of Accounts, the same recommendations have to be re-echoed given that earlier ones were not adhered to. I think we really need to look at the area of implementation and adherence to recommendations of this House so that it does not become a vicious cycle of recommendations after recommendations.

Mr Speaker, I want to thank you for the opportunity offered to me. I do support this motion and I pray and hope that all of us support it. I pray too that the recommendations in the report are implemented so that next time round we engage with new issues and not old issues that have already been well elaborated by the Committee. Thank you.

**THE SPEAKER:** Hon. Members, I would like to caution you about saying, "EAC is now *joggo*." You know, some people can translate it that EAC has now joined *KANU*. So, you have to watch what you say. (*Laughter*)

**MRS MARGARET ZZIWA (Uganda):** Thank you very much, Mr Speaker. I also want to take the opportunity to congratulate you on this very important session where you have effectively hosted two distinguished Members of the Summit of the East African Community. Congratulations, Sir.



In the same breath, I want to thank the Parliament of Uganda and the Rt hon. Speaker of Uganda for according the East African Community and EALA an opportunity to be in Uganda. We are enjoying ourselves in all the precincts of Parliament, including the Speaker's bar.

I want to also mention to all the Members who were able to join Ugandans as we celebrated 26 years of liberation in Kapchorwa, welcome back and thank you very much for the support. Thank you for joining us as we celebrated this very important day in Uganda's history.

I want to congratulate and thank the Committee on Accounts for producing a very good report. Chairperson, congratulations; I can say that the report is improving tremendously every other year. I observe this because I served on the Committee of Accounts for two and a half years. I thank the Committee because stronger recommendations are coming out. I call upon the EAC Secretariat to ensure that as these recommendations are listed, they are actually followed.

I have two small observations. The first goes to the manuals. Perhaps I should congratulate the EAC Secretary-General because the manuals, which we have been demanding for a long time, have finally come, although we are not sure of the timeframe when they should be fully implemented and what is required. I can see on page 3 that the manuals are already around or have been approved by the Council, but we need a concrete time as to when the procedure of using these manuals is given.

In the same breath, I recommend that the newer organs of the EAC, probably the IUCEA and maybe also CASSOA, are given what I may call an internalisation of the audit arrangement within the EAC. Not because I want to underestimate their capacity, but I have observed that they have many more omissions reported than the others. I think that it would be good if the EAC Secretariat organises an orientation for them into how the accounting procedures should be done.

May I also add that there are pending recommendations, I think since 2007, and the repetitiveness of some of the recommendations is causing concern about the seriousness of the Council of Ministers. If a recommendation is made year in and year out, I think it places doubt on the supervisory capacity of

the Council on the Secretariat. I think we need to show the East Africans that we are keenly following the issues and the interests of the East African Community. I am saying this in that hard voice because some of the recommendations were given as early as 2007 and they are still in the report in 2012. So, I think it is a very important omission.

The next concern comes on VAT; VAT, as it were, would be a very simple government arrangement because this is money to inter-government organs. The EAC is an inter-government organ dealing with governments, but when we continuously see VAT not being remitted, not being claimed or claimed but not given, it causes concern about harmonisation of policies of the East African Community Partner States.

I think this is a serious matter, which now has to be raised to the level of the Council of Ministers. The Council of Ministers should request the ministers of finance of the Partner States to ensure that at the beginning of every financial year, they acknowledge how much money is owed to the respective organs of EAC in form of VAT. I think the earlier this is wound out, the better for our accounts and also on the part of our seriousness.

There is the issue of double accounting. It is noted, I think on page 5, that some of the office space of EAC is again accounted for under EACJ, which is also an organ of the East African Community. I want to sound a warning that the issue of double accounting is a very serious accounting crime. If it is a matter of omission, one can ask how many more omissions are there in our accounts since ordinarily, correct accounting procedures should be observed under the EAC.

I want to request that the recommendations that are given are properly followed. Where, for instance, it is agreed that much more money was paid, let the money which was paid over and above the actual rental space be refunded. I think that would be important for purposes of looking at our accounts, to see that we are actually very consistent with what I would call value for money which the Partner States remit for the performance of activities of the East African Community.

Finally, may I also call upon the Secretariat, and later on the Audit Commission, to help us also carry out a value-for-money audit at an appropriate time. Many of these projects have been properly accounted for, but we need tangible results in terms of what those projects actually represent in terms of cost. In most

cases, you find that what at times is represented is just that the monies have been disbursed properly. Even if it is in terms of time or in terms of capacity, let the Audit Commission be enabled to give us a value-for-money audit so that we are able to properly account to the peoples of East Africa and show them the results as they are expect from this great project of the East African integration.

Mr Speaker, thank you for the opportunity. I thank you and congratulate all Members and welcome you to Uganda and to Kampala. I will say *karibu tena*. Thank you.

**DR ODETTE NYIRAMIRIMO (Rwanda):** Thank you, Mr Speaker. First of all, I also want to add my voice to all those who expressed their joy at being here in Kampala and thanking the President and the people of Uganda and also thanking the Speaker of the Assembly for the warm welcome we benefited on our arrival.

Mr Speaker, I have a concern. The RV Jumuiya has been refurbished and the staff to operate it have been hired. You remember the first time we had these audited accounts three years ago there was this problem of RV Jumuiya. Last year, we applauded when we heard that RV Jumuiya was now operating, but

now it is not operating because of the water hyacinth. Is it now a problem of RV Jumuiya or LVBC? I think maybe a further audit should be conducted on the performance of LVBC.

The RV Jumuiya was meant for research and for security of the lake. Now it is not operating because of the hyacinth, and we have heard that this kind of vegetation is also very harmful for fish development. Do we have any audit on what is being done to eliminate the water hyacinth so that we can at least have confidence in what LVBC is doing to protect Lake Victoria?

Mr Speaker, I also had that question that was raised by hon. Kidega, who asked what will happen if this was not followed. In national parliaments when people discuss audits, the following day you hear the prosecutor-general taking care of all the defaulters. So, who is our prosecutor-general that will do that? I thank you, Mr Speaker.

**THE CHAIRPERSON, COUNCIL OF MINISTERS (Mr Musa Sirma):** Mr Speaker, I want to take this opportunity to thank you for giving me this opportunity to give my contribution and response to the various Members who have enriched the debate before us. Before I go into that, I would like to thank the Government and the

people of Uganda for according us the opportunity and the freedom to walk around in their country, and for the security they have given us to be able to feel secure in this country.

Mr Speaker, I also want to thank you for hosting the Chair of the Summit, Dr Emilio Mwai Kibaki, who ably gave us the direction and the good words of wisdom to this Assembly. I also want to thank you for hosting the President of Uganda, H.E. General Yoweri Kaguta Museveni, who gave us the opening remarks for which we were happy. I am sure we shall use the wise words he gave us as an Assembly.

Mr Speaker, the basis of accounting and auditing is to judge the success and failure of any organisation. You can never glorify yourself to have succeeded with no accounts. It is a measure and it is the yardstick used by every organisation, including private companies, for them to judge themselves whether they are worthy to be an organisation of any importance.

I want to take you back to the general demands or agreements which possibly people make and say, "You are employed in an organisation and your consciousness will rule you to be able to deliver rightfully and correctly." We have to look for those

people in this continent who will consciously manage resources without audit, never. So, this Committee is in place rightfully and for posterity for the East African Community.

The key issue, which has been mentioned many times in the report, is the lack of capacity, the need to do recruitment to be able to fill in the areas lacking in terms of audit and procurement. Being the Chair of the Council, I want to confirm to you that the Council unfroze the recruitment or employment of individuals in the various organisations. This was in October in their meeting in Zanzibar during the dedicated session of the integration of Rwanda and Burundi, and it was ratified on our 24<sup>th</sup> EAC Council of Ministers Meeting on the 26<sup>th</sup> in Bujumbura. Therefore, you do not need to worry. Those positions will be filled, and they will be filled subject to, in every organisation, that there is a budget and secondly, considering the division of positions to the Member countries as by the formula laid down.

I wish to go to my main speech. I wish to commend the good work done by the Committee on Accounts under the able chairmanship of hon. Bernard Mulengani. Their recommendations will greatly contribute to the improvement of performance, processes,



financial management, accountability and performance of the Community. I want to thank those who have contributed - hon. Christopher Nakuleu, hon. Augustine Lotodo, hon. Catherine Kimura, hon. Dora Byamukama, hon. Dan Kidega, hon. Jacqueline Muhongayire, hon. Mike Sebalu, hon. Margaret Zziwa and hon. Dr Odette Nyiramirimo. You have enriched this debate and, therefore, I want to thank you for your contributions.

The Council of Ministers has noted your contributions contained in the report and will ensure that they are implemented. I wish ask the hon. Sebalu to really take my word that I confirm to you as Chair of Council, - (*Applause*) - with the authority I deserve, that we shall implement them as per the letter.

My response on the recommendations of the committee report is grouped into the following:

1. Governance instruments of the Community.
2. Establishment of the Audit Committee and strengthening of the internal audit functions of the EAC organs and institutions.
3. Management and accountability of advances and imprest, which everybody has raised. How do you take money for free?

4. Progress on recovery of the amount over paid in respect to rental contracts, which definitely I will say something about more strongly.

5. Refund of VAT charge on the procurement of goods and services. This has to do with partner states that are not doing their part.

6. The sustainable financing of activities of the Community.

7. Completion of the construction of the EAC headquarters.

8. Harmonisation of information management systems of organs and institutions.

9. Mitigation measures to remove the water hyacinth from Lake Victoria.

10. Amendment of a contract for provision of consultancy services in conducting the HIV/AIDS behavioural study in the agricultural plantation in the Lake Victoria basin, Uganda.

11. Last but not least, recovery of the outstanding contribution to the Inter-University Council of East Africa. (*Applause*)

#### Governance Instruments

Mr Speaker, in respect of the governance instruments, I would like to inform this august House that the following manuals and policies have been approved and are being operationalised:

- Procurement Manual
- Internal Audit Manual
- Internal Audit Charter
- Audit and Risk Committee Charter
- Risk Management Framework Policy and Strategy
- Transport Policy
- Information Technology Policy
- Records and Archives Policy
- Governance Code encompassing Governance Charter
- Code of Ethics
- Anti-fraud and Anti-corruption Policy
- Whistle blowing Policy
- Finance Policies and Procedures Manual
- Resource Policy.

The Community is in the process of revising the Human Resource Policy and the Financial Rules and Regulations, which will be considered by the 25<sup>th</sup> Meeting of the Council of Ministers.

Establishment of the Audit Committee and Strengthening the Internal Audit Functions of the EAC Organs and Institutions

Mr Speaker, the Secretariat is in the process of establishing the Audit and Risk Committee. The Inter-University Council of East Africa has already established an audit committee and some Partner States have already nominated members to the committee.

As regards strengthening of the internal audit functions of the EAC organs and its institutions, the Council of Ministers concurs with the Committee's recommendation. The Council has already established the position of a principal internal auditor at the Lake Victoria Basin Commission. Additional staff have been recruited at the Inter-University Council of East Africa for the internal audit unit. More audit staff positions will be established in the financial year 2012/13.

Management and Accountability of Advances and Imprest

Mr Speaker, strict measures have been taken to ensure accountability of advances and imprest. The significant amounts of imprest, which were outstanding when the audit was conducted, have now been accounted for and evidence of recovery will be availed to the Audit Commission for verification. Since you want to see implementation, we invite you to verify as a committee.

Progress on Recovery of Amounts Overpaid in Respect of the Rental Contract

Concerning the computation and recovery of the amount over paid to AICC, the landlord, the management has established that the overpayment for rent is to the tune of US\$ 387,445. The management has informed the landlord and this will be offset against future payment. The management will not effect any further payment to the landlord until the full payment is recovered. (*Applause*) You are also aware that we are very soon leaving where we are and, therefore, this amount will not be paid. We shall not pay any further rent amount until this is fully recovered.

Refund of VAT Charged on the Procurement of Goods and Services

Concerning the refund of VAT, the 23<sup>rd</sup> Meeting of the Council of Ministers has already directed EAC organs and institutions to

request VAT exemption certificates from Partner States. The negotiations with the ministries of foreign affairs are ongoing. I do not think we are negotiating on it. It is a matter of rights and, therefore, it is the responsibility of the various organs of the EAC to demand that from every Partner State where they are hosted.

#### Sustainable Financing of the Activities of the Community

Concerning the sustainable financing of projects and programmes of the Community, the Council has directed the Secretariat, together with Partner States, to undertake a study on available alternative financing options. The study is at an advanced stage and a meeting to consider the first draft report and inputs from Partner States is scheduled for 21<sup>st</sup> to 23<sup>rd</sup> February. That is why you see we are moving; we even have set dates.

#### Completion of Construction of the EAC Headquarters

The Council is equally concerned with the delay registered in the completion of EAC headquarters, but the delays were caused by unavoidable circumstances. The management and contractors are working very hard and the project is expected to be completed and functional by May 2012. (*Applause*)

I wish to confirm also that at the next Heads of State Summit, we do expect to officially open the building in April. (*Applause*) Therefore, I wish confirm that the EALA Chamber will be available to Members of EALA on their exit route home in their last session in May. (*Laughter*) We do wish you well to come back.

#### Harmonisation of the Information Management System of the EAC Organs and Institutions

The Council agrees with the recommendations of harmonising information management systems of EAC organs and institutions. The modalities will be discussed in the inter-organ meeting, and very soon. The Head of the Summit has requested that the inter-organs meeting, which will be scheduled in Nairobi and later in Mombasa so that they go into full discussion, will be held in the first week of March. Therefore, this will take place immediately.

#### Mitigation Measures to Remove the Water Hyacinth from Lake Victoria

As regards to the water hyacinth in the Nyanza Gulf of Lake Victoria, I wish to inform this august House that the Council

have taken this issue seriously and directed the Government of the Republic of Kenya to use mechanical, biological and manual mechanisms to control the water hyacinth. Further studies are being undertaken by the Partner States through the Lake Victoria Environment Management Project II to determine a permanent solution to the hyacinth. This hyacinth has been a menace to Lake Victoria and especially on the Nyanza Gulf. The Nyanza side of Kenya has really suffered. The fishermen are not doing well and, therefore, it is something which must be done with immediate effect.

I think there is not enough seriousness because if we want to remove that hyacinth, I am sure with all the efforts from the Partner States, this menace will be removed. I do not see any useful thing that the hyacinth has done. The only thing I have seen of any good purpose was when it was used to build a casket which was the resting part for our late sister, Prof. Wangari Maathai, before her cremation. Otherwise, that hyacinth has no use at all and therefore it needs to be removed.

Amendment of the Contract for Provision of Consultancy Services in Conducting the HIV/AIDS Sero-behavioural Study



Concerning the contract between Lake Victoria Basin Commission and Dr Alex Opio for provision of consultancy services in conducting the HIV/AIDS sero-behavioural study in the agricultural plantations in the Lake Victoria Basin, Uganda, the Council is highly concerned with the manner in which the contract was amended. However, management has assured the Council that there was no loss of funds and this is backed by the investigation done by the management together with SIDA.

Recovery of Outstanding Partner States Contribution to the Inter-University Council for East Africa

Mr Speaker, concerning the recovery of remittances from the Partner States to the Inter-University Council for East Africa, the current status is alarming. The institution is not able to pay for its basic operations, including salary to its staff. However, efforts are being undertaken by the Inter-University Council for East Africa to follow up with a permanent secretariat in the ministries responsible for higher education in the Partner States. In addition, management has now decided to involve permanent secretaries in the ministries responsible for East African affairs in the Partner States.

The lack of remittances by the Partner States is a worrying issue, which I think should be on the next agenda so that each Partner State can give its commitment to the Community. I want to reiterate that I will take that up. I have seen the figures, and I think my country is one of the biggest defaulters of contributions to EAC. I want to assure this honourable Assembly that I will take the necessary measures to ensure that that is corrected. (Applause)

With those remarks, I wish to end my contribution and wish to say my response ends here. Thank you, Mr Speaker, and I support.

**THE SPEAKER:** Honourable Members, before I call hon. Mulengani, I would like to say one or two things.

I think a few Members talked about time for the Committee in terms of doing the report. First and foremost, I would like to commend the Committee for having done well in such a short period of time. However, I would also like to say, if the hon. Nakuleu would remember, you joined two activities together in terms of partnership and EALA to get your 10 days. In this particular case, the Committee decided that it will still have its other activity and also this activity. That is the reason

why you have so little time. The problem is, in terms of resources, we do not have resources. I think maybe the Council of Ministers can look at this to see that the Committee of Accounts gets more time.

One other thing that I would like to suggest is to hon. Mulengani. In the report I see a general recommendation, on page 52, where you say, "*Committee recommends to the Assembly that there should be a comprehensive investigative audit by the Audit Commission facilitated by EAC on management of imprest in all organs and institutions of the Community.*" The question is, I was wondering, why all organs and institutions of the Community? There are some who have problems with imprest; why don't you have investigative audits only on those ones who have problems? Maybe you can tell us.

**THE CHAIRPERSON, COMMITTEE ON ACCOUNTS (Mr Bernard Mulengani):**

Thank you very much, Mr Speaker. Let me first acknowledge those who have been able to catch your eye and contributed to the report - hon. Nakuleu, hon. Lotodo, hon. Safina Kwekwe, hon. Catherine Kimura, hon. Byamukama Dora, hon. Dan Kidega, hon. Muhongayire Jacqueline, hon. Sebalu Mike, hon. Zziwa, hon. Odette Nyiramirimo and the Minister. I certainly believe those

that have not been able to catch your eye are in support and had something to say.

Mr Speaker, hon. Safina Kwekwe raised issues to be clarified and I want to put forward a few clarifications. Some are not easy to clarify. This is why the Committee requested for a comprehensive audit of the programmes, specifically on the issue of imprest and the issue of the contract that was awarded wrongly. We have requested that the Audit Commission goes further to look into the details so that we are able to appreciate what took place with that particular contract.

On the issue of retirement, on page 18, the total amount is US\$ 20,000 and those are the few that I was able to pick off head. I am sorry, I had requested the Clerk to give details but I think he was not able to catch up with the management of that institution. However, so far US\$ 20,000 is the amount from the people who left the institution and had not accounted for the imprest. They are basically four staff, and I can mention them: Dr Rose Mugidde, V. Kyobe, Deo Mbuto and Dr Tom Okurut. These are no longer employees of the Lake Victoria Basin Commission and according to the Audit Commission report they still have outstanding imprest to be accounted for.

I will refer you to page 21 and 22 of our report where we made a recommendation to the House and I request that the House takes on this recommendation. There is need to have a detailed investigative audit on the activities of this particular programme to be able to ascertain some of the questions you have raised.

On the issue of recommendations of the Audit Commission and, therefore, the audited accounts report, we as a Committee are thinking of something, and soon we shall be seeking leave of the House to bring a Private Members Bill. In most practices, you cannot complete recommendations of audited accounts without other institutions of accountability like the inspector-general of government or public prosecutions. If the auditor has highlighted certain areas, they need other investigations and eventually prosecution if there is likelihood of that.

In the current setting of the Community, we do not have those organs, and I hope in the institutional review mechanism they are thinking of creating such organs. As you may realise, the Community funds have grown from US\$ 2 million to close to US\$ 10 million and they need to create such accountability organs that

will help the Audit Commission to be able to implement its recommendations.

Hon. Mike Sebalu put it right; this document covers all the programmes and organs of the Community. Actually, as a committee at one point we thought of putting recommendations to various committees of the House but we thought we would be usurping the powers of the House business. So, we had to limit ourselves, but it is good you have noted that.

Thank you very much, Minister, for your response. As the chairperson of the Committee and on behalf of my colleagues, I think it is a positive response. We actually look forward to coming and sitting in the House that you are chairing as Council so that we are able to see how you move things.

Thank you very much, Mr Speaker, for the opportunity and thank you, colleagues, for supporting the report. (*Applause*)

**THE SPEAKER:** Honourable, you did not say anything on the thing I asked you.

**MR MULENGANI:** Mr Speaker, it was the view of the Committee that if we are recommending carrying out a total audit on imprest in the organs and the institutions of the Community, we should not be seen to be selective. We thought inclusion of our own institution is just good enough. After all, if the practices are clean as we saw in the report, there is nothing to worry about as a Committee. This is why we thought that we should proceed that way.

However, it is not entailed in my court alone but as the chair, I thought that was the premise that we based this recommendation on. Mr Speaker, as you know, people talk outside the corridors that, "Why have they left out EALA?" So, that is the reason we based on to say that let us have a total investigation audit cutting across all the organs and institutions of the Community.

Mr Speaker, with your permission, I thank you very much.

**THE SPEAKER:** Hon. Members, I now put the question that the Report of the Committee on Accounts from the EAC Audited Accounts for the Financial Year 2010/11 be adopted.

*(Question put and agreed to.)*

*Report adopted.*

ADJOURNMENT

**THE SPEAKER:** Honourable Members, we now come to the end of business today. I now adjourn the House until tomorrow morning at 10.00 a.m.

*(The House rose and was adjourned until Tuesday, 31 January 2012  
at 10.00 a.m.)*