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**EAST AFRICAN COMMUNITY
EAST AFRICAN LEGISLATIVE ASSEMBLY**

**REPORT OF THE COMMITTEE ON ACCOUNTS TO ASSESS THE
STATUS OF IMPLEMENTATION OF THE ASSEMBLY'S
RECOMMENDATIONS ON**

**THE EAC AUDITED ACCOUNTS FOR THE EAST AFRICAN HEALTH
RESEARCH COMMISSION AND EAST AFRICAN KISWAHILI
COMMISSION FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017
AND 2018**

(VIRTUAL 25TH -28TH FEBRUARY, 2021)

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| TABLED BY | Majority leader |
| COMMITTEE | - |
| CLERK AT THE TABLE | M. Agbiodun |

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

May 2021

ACRONYMS

| | | |
|-------|---|--|
| AOPS | - | Annual Operational Plans |
| CTC | - | Counsel to the Community |
| EAC | - | East African Community |
| EAHRC | - | East African Health Research Commission |
| EAKC | - | East African Kiswahili Commission |
| EALA | - | East African Legislative Assembly |
| GIZ | - | Deutsche Gesellschaft Fur Internationale Zusammenarbeit |
| HQ | - | Headquarter |
| ICT | - | Information, Communication and Technology |
| IPSAS | - | International Public Sector Accounting Standards |
| IT | - | Information Technology |
| LCD | - | Liquid Crystal Display |
| RDOAG | - | Regional Development Objective Agreement Grant |
| TRA | - | Tanzania Revenue Authority |
| UN | - | United Nations |
| URT | - | United Republic of Tanzania |
| USAID | - | United States Agency for International Development |
| VAT | - | Value Added Tax |
| ZRA | - | Zanzibar Revenue Authority |

1.0 INTRODUCTION

Audit has been and remains a major and most important component of the socio-economic development of the East African Community. In its different aspects, it is a significant stimulant to the improvement of trust. However, if not properly managed, it may lead to disastrous socio-economic mistrust.

The major objective of the Treaty is to improve the economic welfare of the people of East Africa and to promote good governance as spelt out in article 6 (d). The Treaty treats accountability as a central feature of the East African Community integration process. The cornerstone and mandate of the Audit function are established under Article 134 of the Treaty. This article establishes the audit Commission with a mandate of verifying and ensuring that EAC Organs and Institutions comply to the EAC financial Rules and Regulations.

At the end, the audit Commission undertakes an annual post audit review and scrutiny of EAC Organs and Institutions and a report with observations and recommendations is tabled to the House for debate and adoption.

Over the last couple of years, the Accounts Committee has expressed its disappointment at the persistent non implementation of the Assembly recommendations arising from the report on the EAC audited accounts.

It's on this basis that the Committee on Accounts undertook an oversight activity to assess the progress made on issues previously raised by the EAC Audit Commission report for the financial years ended 30th June 2017 and 2018 on EAHRC and EAKC.

2.0 OBJECTIVES OF THE ACTIVITY

The Objectives of the activity included the following;

- i. To assess the governance and management systems of EAHRC and EAKC;
- ii. To evaluate the Progress on issues previously raised by the Audit Commission in its report for the year ended 30th June 2017 and 2018. This mainly assessed the status of implementation of previous recommendations of the Assembly in respect of the two reports.

3.0 METHODOLOGY

The Committee adopted the following methodology in compiling this report;

- i. Reviewed the reports of the EAHRC and EAKC on the implementation status of the Assembly recommendations for the financial year ended 30th June 2017 and 2018;
- ii. Interacted and held discussions with the management of the EAHRC and EAKC;
- iii. Held the Committee meeting to discuss the report;

4.0 PRESENTATION ON THE GOVERNANCE AND MANAGEMENT OF EAST AFRICAN HEALTH RESEARCH COMMISSION

The Committee interacted with the Ag. Executive Secretary of East African Health Research Commission and his team. Mr. Novat Twungubumwe presented an overview of the mandate and functions of EAHRC.

The East African Health Research Commission (EAHRC) is an Institution of the East African Community (EAC) established by the 5th Extra-Ordinary Summit of the EAC Heads of State on 18th June 2007. The EAHRC has been established as a mechanism for making available to the community, advice upon all matters of health and health related researches and findings necessary for knowledge generation, technological development, policy formulations, practices and related matters. It is the principal advisory institution of the EAC on Health Research and Development (R&D).

The vision of the Commission is a healthy and prosperous community built on evidence-driven policy and practice, which emanate from high quality research. The mission is to improve health and wellbeing of the citizens of the Community by generating, accessing, capturing, assessing, synthesizing, sharing, disseminating, and utilizing health research and findings, as well as technological development that are suitable and relevant to the Community and its people.

The overall objective of the Commission is to promote, facilitate, and coordinate the conduct and application of health research for the improvement of health and for the wellbeing of the people of East Africa. The protocol establishing the EAHRC emphasizes on establishing research programmes, networks, partnerships and centres of excellence in health research; establishing capacity

development and capacity utilisation programmes; creating an environment that is conducive for research; and establishing mechanisms for health research knowledge management.

EAHRC relocated to Bujumbura in February 2018 and is headquartered in Quartier Kigobe, Avenue des Etats-Unis, No: 71 in Bujumbura.

5.0 STATUS OF IMPLEMENTATION OF THE ASSEMBLY RECOMMENDATIONS FOR EAHRC

The Committee reviewed the status of implementation of the previous audit recommendations and submits to the Assembly as follows;

1. Non-Timely submission of Financial Statements

The Audit Commission reported that the financial statements for EAHRC were submitted to the Audit Commission on 11th October 2017 contrary to the requirements of Financial Rules and Regulations.

The management informed the Committee that from the subsequent periods, the EAHRC has been able to submit the draft Financial Statements timely

Committee Observation

Non-timely submission of financial statements hinders the Audit Commission's obligation to accomplish the audit timely and provide insufficient time for proper planning of the audit.

Committee Recommendation

The Committee recommends to the Assembly to urge Council of Ministers to ensure that Management of EAC submits their financial statements on time.

2. Overstatement of accruals and payables

The Audit Commission reported that included in the accruals and payables a balance of **USD 315,403** were commitments amounting to **USD 240,883** recorded as payables. The account commitments related to IT equipment, furniture and fixtures and generators. However, the items had not been received as at 30th June 2017 thereby violating the cut-off principle.

Management of EAHRC informed the Committee that all the items have since been delivered and the EAHRC HQ partitioning process was done. The additional

transactions in the trial balance were in relation to the fixed assets acquired for the used at the EAHRC Headquarters in Burundi whose additional documentation has been availed to the Audit Commission in the previous financial year which has just ended.

Committee Observations

The Committee noted that to enable a smooth relocation of the EAHRC staff from Arusha to Burundi the base country to comply to the Council's directives the above fixed assets needed to be acquired.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that Management of EAHRC avails supporting documents for the respective payables to the Audit Commission to be able to conclude on the respective account.

3. Rent Paid for the Premises which is not being used by EAHRC

The Audit Commission reported that despite the Commission's staffs being situated at the EAC Headquarters in Arusha, on 22nd May 2017, EAHRC made a payment to the tune of **USD 15,000** being a five-month rent payment for hiring office premises between July 2017 and November 2017. Audit reported that the rent paid was a waste.

Management of EAHRC informed the Committee that the Commission signed the office lease agreement on 1st June 2017 therein taking possession of the building and hence was under obligation to pay rent since the building was no longer available for any other party to lease.

But during that time the premise required to be partitioned and renovated to meet the specifications of EAHRC which was to relocate to Burundi once the premise was in a habitable state. As a result, EAHRC signed the lease agreement and paid rent during the period when these activities were being conducted.

Committee Observation

The Committee observed that there was wastage of financial resources since the premises were not in use.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that Management of EAHRC should stop payments for items or services which they are not in need of.

4. Absence of Risk Management Guidelines

The Audit Commission reported that a review of the EAHRC corporate governance structure revealed absence of risk management guidelines.

Management of EAHRC informed the Committee EAC, its organs and institutions have constituted a committee which is handling the process of coming up with Risk Management guidelines. Once this process is concluded and the risk management guidelines duly validated, this will be rolled out accordingly.

Committee Observation

Absence of risk management guidelines exposes EAHRC to a risk of going concern and not achieving its objectives as planned.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that EAC Secretariat develops comprehensive risk management guidelines that safeguard EAHRC from risks associated with the absence of risk management guidelines.

5. Inappropriate Application of Single Sourcing Procurement Method

The Audit Commission reported that during the year under review, EAHRC procured tickets services worth **USD 28,514** but there was no evidence indicating that competitive tendering was done as required by Section 6.2.2 of the Procurement Policies and Procedures Manual, 2016. Further, there was no evidence that the supplier, Charleston Travel Limited, had met the qualifications of single sourcing.

Management of EAHRC informed the Committee that Charleston Travel Agencies is an official EAC Secretariat agent for tickets, and that the contract had been procured competitively and a framework contract signed between EAC Secretariat and Charleston Travel Agencies. However, going forward EAHRC now ensures that it requests for quotes from at least 2 to 3 suppliers to ensure that the most competitive offer is always selected.

Committee Observation

Violation of procurement procedures denies EAHRC opportunity to have access to quality goods or services at a reasonable price.

Committee Recommendation

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

- i. Abides by the established procurement guidelines to enable EAHRC obtain value for money in its procurements;***
- ii. Procures a travel agent through a competitive process to avoid the single sourcing procurement method;***
- iii. Recruit a Procurement Officer to undertake procurement activities of the Commission.***

6. Restricted Access to Original Personnel Records

Regulation 82(3) of EAC Staff Rules and Regulation, 2006 requires a personnel file to have where necessary, a letter of application for the job, letter of appointment, letter of acceptance of appointment, confirmation, personnel decisions on salary assessment/adjustments, promotions, change of incremental date, change in names, recommendation letter, approved annual and home leave, sick and special leave, medical certificates of fitness for service, official oath, declaration of next of kin, appraisal forms and any other official records on a member of staff.

The Audit Commission reported that upon review noted that the files that were submitted contained only copies of some of the information required instead of the original ones. In addition to that, the copy files had incomplete records. Records like the official oath, letters of acceptance and declaration of next of kin were missing for all the files reviewed. This is contrary to Regulation 82(3) of EAC Staff Rules and Regulation, 2006.

Management of EAHRC has since availed all the Personnel files including the confidential files during the subsequent audits. The documentation that had been missing has also since been duly updated.

Committee Observation

Restricted access to original personnel records limited the Audit Commission's review since some required information was missing.

Committee Recommendation

The Committee recommends to Assembly to urge Council of Ministers to ensure that management of EAHRC maintains employee files complete with the necessary documentation regarding staff.

7. Rules and Regulations not customized to the Commission

Audit Commission reported that EAHRC is a semi-autonomous Institution of EAC established through a protocol signed on 13th September, 2008. Having been established as a semi-autonomous institution EAHRC it ought to have its own Rules and Regulations customized from EAC Rules and Regulations.

The Audit Commission noted that up to the time of audit, EAHRC was still using the Rules and Regulations of EAC without having customized the same to cater for its needs.

When the Committee interacted with the management of EAC, they were informed that Currently EAHRC only has 05 staff on ground some of whom have currently been forced to handle dual responsibility in order to ensure relatively smooth operations without compromising internal controls. In addition, EAHRC is supported by the EAC-SEC in internal audit, procurement and legal matters as a result, it may not be very easy to implement a customized document at the moment.

Committee observation

The Rules and Regulations if not customized might not suit the environment of EAHRC.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Executive Director rolls out customization of the Rules and Regulations to suit EAHRC environment.

8 EAHRC Lacks Its Own Headquarters Building

Audit Commission reported that EAHRC relocated from Arusha to Bujumbura in February 2018. According to the lease agreement signed on 22nd May 2017, the Commission rents an office building at a cost of **USD 3,000** per month, translating to **USD 36,000** annually. Additional costs on the rented building were also incurred. For the financial year under review, an amount of **USD**

32,947 was spent for a number of works necessary to make the building ready for use as an office building. The total annual amount spent on the building is thus **USD 68,947**.

Audit Commission noted that the cost of renting EAHRC office building is quite high and the Commission would benefit from getting its own permanent office building.

In the process of having a permanent Headquarters, the Government of Burundi gave the Commission a land of approximately 7,176.00 square meters which is approximately **USD 60,530** as land service fees in order to get the land.

The 17th Ordinary Meeting of EAC Sectoral Council of Ministers of Health held on 26th October 2018 in Kigali- Rwanda requested the Council to request the Government of Burundi to exempt the Commission from paying the land service fees for the allocated plot. Indeed, article II (a) of the Headquarters Agreement between the Government of the Republic of Burundi and the East African Community for the EAHRC signed on 27th June 2015 provides that “the permanent seat which will be donated to the Commission by the Government of the Republic of Burundi, free of rent and any encumbrances whatsoever and shall be based in the city of Bujumbura in the Republic of Burundi”

When the Committee interacted with the management of EAHRC, it was informed that During the Council meeting in November 2019, EAHRC received a letter of confirmation from the Republic of Burundi allotting land for the construction of the permanent headquarters. EAHRC requested for a supplementary budget in February 2020 for preparatory activities which was approved however due to the developments on COVID19, the said funds were not received.

A budget for preparatory activities has been proposed in the FY2021/2022 budget which has just been considered by the 40th Council of Ministers meeting.

Committee Observation

The Commission is not getting value for money if it continues renting space for its office a budget should be considered to enable the Commission to construct its Headquarter.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Executive liaises with the relevant authorities from the Government of Burundi to expedite the process of getting the

allocated land in the Commission name and thereafter the process of getting its own office Headquarters.

9. Failure to Execute Planned Activities

Audit Commission reported that the budget performance was very low and for some activities, it stood at 0 %, thus a number of planned activities were not executed.

Management of EAHRC informed the Committee that the budget included 03 established staff positions to be recruited. However, due to the Institutional review and work load analysis processes the recruitment were put on hold. This further negatively impacted the budget execution.

Committee Observation

Non-execution of the planned activities may affect the Commission from delivering on its mandate.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Executive Director as a matter of priority liaises with relevant EAC organs and other concerned partners to have the required staff recruited for effective service delivery.

10. Activities Under USAID RDOAG Budget but not Executed Worth USD 430,067

Audit Commission reported that the upon review of Budget Performance Report, it showed activities that were planned to be implemented under USAID RDOAG Budget, but they had not been executed at all. The rate of execution was 0% for almost all planned activities.

The Committee was informed that during the 16th Sectoral Council of Health Ministers Meeting held in May 2018 in Kigali took note of the resources mobilized from the USAID to support the East Africa Cross-Border Health Services Program (EA-CBHS); and directed the EAHRC to undertake consultations with Partner States to improve on the design of the project, seek more inputs and submit the improved project to the 17th Sectoral Council for consideration **(EAC/Health/16SCM/Directive 055)**; and further directed the EAHRC to defer the implementation of the project until in-country consultations are undertaken

with the EAC Partner States and submit the outcome to the 17th Sectoral Council of Ministers (**EAC/Health/16SCM/Directive 056**).

Committee Observation

Non-execution of Development Partners funded activities did not only impede EAHRC to deliver according to its mandate, but it also had negative impact on the donor commitment to continue funding the Commission.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the East African Health Research Commission optimize budget execution.

11. Annual Operation Plan Not Satisfactorily Executed USD 491,374

Audit Commission reported that the upon review of Budget Performance Report, showed that activities totaling **USD 491,374** from Partner States Budget, USAID and GIZ were not executed as budgeted.

When the Committee interacted with the management of the EAHRC, it reported that the above scenario was occasioned by the following factors;

- i) For 09 months of FY17-18, the EAHRC was based in EAC HQ Arusha. Consequently, there were savings realized on most of the operational expenses which was no longer an issue now that the Commission has fully relocated to its HQ in Bujumbura.
- ii) The FY17-18 budget included 03 staff salaries and allowances (Senior ICT Officer, Principal Health Officer and Principal Human Resource Officer) who had been expected to be in board but due to the challenges associated with recruitment are yet to brought on board; and
- iii) The EAHRC has only 07 staff so far so quite stretched on ground given the activities. Hence staff did not get the opportunity to go on home leave.

The Committee was informed that budget included 03 established staff positions to be recruited. However, due to the Institutional review and work load analysis processes the recruitment were put on hold. This further negatively impacted the budget execution. In addition, for the first 09 months of the financial year, the EAHRC was housed in Arusha at the EAC HQ hence there were savings on operational costs.

Committee Observation

Non execution of the budgeted activities could impede EAHRC to deliver according to its mandate.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Executive Director liaises with the concerned officers at the secretariat to secure the approved resources for the implementation of the AOPS.

12. Procurement of ICT Equipment not in Use

Audit Commission reported that during the year under review, EAHRC acquired LCD Smart Board 65" for **USD 3,170** and Cisco Telepresence MX 300 "Video conferencing" for **USD 13,950**.

Management revealed that the acquired ICT equipment have been since installed and are being utilized.

Committee Observation

ICT equipment were not utilized to support EAHRC Business Strategy. Non installation and utilization expose the ICT equipment to obsolescence.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that East African Health Research Commission staff are oriented in order to utilize the ICT resources

13. Absence of a Procurement Unit and Failure to Pre-qualify Suppliers

Audit Commission reported that EAHRC had no properly constituted Procurement Unit hence all activities relating to procurement were done by use of the prequalified suppliers of EAC Secretariat at Arusha which was in violation of EAC Financial Rules and Regulations 67 which states that the entity should have a prequalified lists of suppliers for the purpose of identifying suitable suppliers, obtaining information about products and specifications, and determining methods of solicitation and procurements methods to be used.

Management reported that due to human resources challenges they have not been able to recruit a procurement officer hence the absence of a Procurement Unit.

Committee Observation

Absence of a Procurement Unit may result in violation of procurement procedures and also cause EAHRC not to attain the benefits that may accrue with presence of a Procurement Unit.

Committee Recommendation

management of EAHRC is advised to ensure that a Procurement unit is established so that all procurements are done efficiently and effectively as per requirements of the Regulation. EAHRC management is also advised to constitute a list of prequalified suppliers for the different services the Commission may require.

14. Non-Adherence to Provisions of EAC Staff Rules and Regulations

Audit Commission reported that upon review on individual files of EAHRC staff revealed a number of irregularities such as absence of staff performance appraisal for some staff, oath of allegiance found in some individual files, the period of performance appraisal differed from one staff to another. Audit Commission also noted that for some staff, the performance appraisal was not done on an annual basis.

When the Committee interacted with the management of EAHRC, it reported that the Commission has improved on the issue of performance appraisals and the personnel files have since been reviewed by the Audit Commission

Committee Observation

Not assessing the performance of individual members of staff denies them the opportunity for performance improvement and may fail to recognize good performers for purposes of reward.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the East African Health Research Commission abides with the EAC Staff Rules and Regulation and ensure regular appraisal of all staff.

15. Understaffing

Audit Commission reported that upon review of the organizational structure of EAHRC, the Commission is supposed to have 34 staff. However, review of the staffing position revealed that the Commission had only 7 staff comprised of 2 executive staff, three professional staff and two general staff.

When the Committee Members interacted with the management of EAHRC, they were informed that since the Institutional review and work load analysis processes were done, no recruitments have been conducted for the past almost 2.5 years. At the moment EAHRC staff are only 05 in number since the Executive Staff have since exited upon completion of their tenure.

Committee Observation

Non-recruitment of required staff is impacting negatively on the execution of planned activities of the Commission.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to expedite the recruitment process for effective service delivery.

6.0 PRESENTATION ON THE GOVERNANCE AND MANAGEMENT OF EAST AFRICAN KISWAHILI COMMISSION

The Committee interacted with the Principal Accountant of East African Kiswahili Commission. Mr. Joseph Malesi who presented an overview of the Mandate, functions and achievements of the Commission.

The East African Kiswahili Commission is an institution of the East African Community responsible for the coordination and promotion of the development and use of Kiswahili in the region and beyond. The Commission derives its mandate from Article 137 (2) of the EAC Treaty which states that Kiswahili shall be developed as a lingua franca of the Community. The EAKC was established by means of a protocol unanimously ratified by all the Partner States of the EAC.

The East African Kiswahili Commission Bill currently under CTC office is expected to be enacted into the East African Kiswahili Commission Act once passed by EALA and accented to by the Summit. This will provide a comprehensive legal framework for the full and effective operationalization of the Commission

The Commission is guided by national, regional, continental and global legal instruments ratified by EAC partner States. they include;

- The EAC Treaty;
- Protocol for the Establishment of EAKC;
- Headquarter Agreement between EAKC and URT;
- Constitutions of Partner States;
- The Cultural Charter for Africa (1976);
- The Language Plan of Action for Africa (1986);
- The UN's Universal declaration of Human Rights (1948) and;

Functions of the Commission

- Coordinate and oversee the work of national Kiswahili Councils and other member institution;
- Strengthen collaboration in regional research and assist Partner States develop centres of advanced study and Research in Kiswahili;
- Promote and enhance collaborative relations with development partners and Organizations with similar objectives;
- Facilitate the developments of regional Kiswahili policies for the exchange of staff and students in Kiswahili institutions and monitor the effectiveness of such policies;
- Advocate for the development and use of Kiswahili as a lingua franca within the Community and beyond;
- Encourage the use of Kiswahili in the conduct of official business and public life within the Community.

Achievements

- Renovation of Head Office Building;
- Kiswahili Capacity Assessments in EAC (Capacity assessment report);
- Research and publication;
- Curriculum review;
- Providing advice on establishment of National Kiswahili Councils;
- Formation of Regional Kiswahili Association;
- Formation of National Kiswahili Association;
- Draft EAC Kiswahili Policy;
- Development of Programmes and Manuals for Kiswahili Teaching and Learning and;

- Assisting Partner States Kiswahili Institution to develop and promote Kiswahili (Mobility Program).

Challenges

The Commission faces a number of challenges but the main ones are;

- Inadequate Personnel;
- Inadequate funding for implementation of activities at regional and national levels;
- Lack of National Kiswahili Councils in Partner States except United Republic of Tanzania and;
- Lack of National Kiswahili Policies.

7.0 STATUS OF IMPLEMENTATION OF THE ASSEMBLY RECOMMENDATIONS FOR EAKC

The Committee reviewed the status of implementation of the previous audit recommendations of East African Kiswahili Commission and submits to the Assembly as follows;

1 Weakness noted in the EAKC Financing structure

The Audit Commission reported that the EAKC's core activities were allocated only 5% whereas other non-core activities including staff emoluments were allocated 95%.

Management of EAKC informed the Committee that the Commission has religiously budgeted for activities geared towards executing its mandate but the budget has always been rationalized to the current financing situation.

Committee Observations

The current financing structure as Partner States may not allow for the implementation of the 2017-2022 Strategic Plan.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to allocate more finances to its core activities so as to achieve its mandate.

2. Under-staffing at EAKC

The Audit Commission reported that minimal effort was being made to recruit core staff more than two years since the establishment of EAKC. The Commission has only 6 full-time staff whereas its organization structure provides for 31 positions. Furthermore, of the 6, only 3 are professional staff.

Audit reported that due to this insufficiency in human resources at EAKC, the segregation of duties was a problem. Audit further noted instances of some staff performing tasks for which they had no competent skills. For example, the Senior Human Resource Officer was performing the tasks that should have been carried out by the Procurement Officer.

Management of EAKC informed the Committee that the Commission is critically understaffed and Management has consistently raised this issue with Council but no action has been taken.

Committee Observations

The Committee observed that the Commission needs more staff to be recruited so as to timely achieve its mandate.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the vacant positions are filled as provided for by EAKC organizational structure

3. Absence of the Internal Audit function within EAKC

The Audit Commission noted that the recruitment of key staff under Governance Structure such as Internal Audit had remained unachieved since the establishment of the Commission.

Management of EAKC informed the Committee that whereas it is true the EAKC does not have an Internal Auditor; functions of Internal Audit are carried out by the EAC Secretariat Internal Audit.

Committee Observations

The Committee observed that EAKC is lacking checks and balances which make it susceptible to errors and inefficiencies in its operations.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the position of the Internal Auditor is filled as per the EAKC Organizational structure.

4. Lack of value for money for the amount spent on the renovation of EAKC Headquarters seat in Zanzibar

The Audit Commission reported that there was no value for money for the USD 265,021 that was spent on the renovation of a building that does not belong to the EAC but to the People's Revolutionary Government of Zanzibar. Audit noted that the total amount spent to renovate the office building could have been used to construct or purchase a new one.

Management of EAKC informed the Committee that the EAKC proposed the renovation works to the Council and after careful consideration, the Council approved funds for the renovation works and since the building is a historical, renovation was needed.

Committee Observation

The Committee observed that Community scarce resources were spent without regard to value for money.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers engage the People's Revolutionary Government of Zanzibar to consider donating the building to EAKC or provide land where EAKC can construct its headquarters.

5. Increasing trend in VAT Recoverable from Tanzania Revenue Authority.

The Audit Commission reported increasing trends in VAT recoverable owed to EAKC from Tanzania Revenue Authority. The VAT balance had increased from **USD 2,044 (2015/2016)** to **USD 32,102** as at 30 June 2017.

Management of EAKC informed the Committee that the EAKC has engaged Zanzibar Revenue Authority (ZRA) on the VAT issues.

Committee Observation

The Committee observed that though VAT refund claims were filed with the ZRA no refunds have been remitted to EAKC

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that Management of EAKC engages the Zanzibar Revenue Authority to refund the VAT claims.

6. Delayed remittance of contributions from Partner States

The Audit Commission noted that for the financial year 2016/17, EAKC budgeted **USD 1,179,544** as contribution from Partner State and General Reserve. However, the Commission's receivables contributions from Partner States were **USD 718,740** to be met equally among them. Contrary to the EAC Financial Rules and Regulations, it was revealed that the Republic of Burundi and Uganda had not fully paid their contributions for the FY 2016/2017 to the tune of **USD 122,435** and **USD 18,958** respectively. It is worth to noting that the amount due from Uganda had increased from **USD 6,637** (2015/2016) to **USD 18,958** in (2016/2017). At the time of Audit in November 2017, there was no evidence that the amounts had been paid.

Committee Observations

Insufficient remittances of contributions limits EAKC from full and timely implementation of its activities and programs in an efficient and effective manner.

Committee Recommendation

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

- i. Timely remittances of funds from Partner States and;***
- ii. Management of EAKC continues to liaise with the EAC Secretariat to recover the outstanding balances.***

8. Unsupported current account balance as at 30th June 2017

The Audit Commission's review of accounts receivable revealed a current account balance of **USD 52,902** that was outstanding as at 30th June 2017. This balance related to various transactions that took place between the Commission and EAC Secretariat through current account. However, the Audit Commission was not provided with supporting documents to justify how these transactions were

being cleared and those which were still outstanding as at the end of the year. Further, Audit did not obtain any evidence to show that the due amount as at 30th June 2017 was subsequently cleared.

Management of EAKC informed the Committee that the Commission reconciled the transactions.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that Management of EAKC liaises with the EAC Secretariat to ensure that the indebtedness that arose due to inter entity transactions are reconciled and settled immediately.

9. Weakness Noted in the EAKC Financing Structure

The Audit Commission reported that that the Commission's core activities were allocated with only 40% of the budget whereas other activities which were not core were allocated with 60% as detailed in the table below:

Table 9: Weakness in the EAKC Financing Structure

| Item | Actual (USD) | % of the total |
|---------------------------------------|---------------------|-----------------------|
| Salaries, Wages and Employee benefits | 393,844 | 36.20% |
| Administrative expenses | 252,024 | 23.16% |
| Core activities | 435,427 | 40% |
| Capital expenditure | 6,951 | 0.64% |
| TOTAL | 1,088,246 | 100 |

When the Committee interacted with the management of EAKC, it concurred with the Audit finding and reported that the Commission always budgets for activities, but it has always been rationalized.

Committee Observations

The Commission uses big percentage on recurrent expenditure leaving little amount on core activities.

Committee Recommendation

The Committee recommends the Assembly to urge the Council of Ministers that the Management of EAKC to refocuses more funds to its core-business so as to achieve its mandate

10. Unbudgeted expenditure: USD 111,227.82

The Audit Commission reported that according to the IPSAS 24 states that the annual budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity.

Audit noted that, during the financial year under review, expenses totaling **USD 111,227.82** were made without being part of the approved budget for the year. Furthermore, no prior authorization had been given by EALA as analyzed below:

Table 10: Unbudgeted Expenditure

| Item | Amount (USD) |
|----------------------------------|--------------|
| Accommodation Delegates | 72,720.90 |
| Contracted Professional Services | 32,489.73 |
| Photocopying | 859.63 |
| Hiring of vehicles | 1,557.56 |
| Conference | 3,600.00 |

When the Committee interacted with the Management of EAKC, it reported that it was guided by the 32nd Council of Ministers Decision,

Committee Observations

Spending on unbudgeted items may affect implementation of other planned activities.

Committee Recommendation

Management of EAKC should ensure that all expenditures are incurred in line with the approved budget.

11. Payments for Air tickets: USD 166,869

Audit Commission reported that it identified payments amounting to USD 166,869, which were made to travel agencies. It was noted that the related supporting documents did not include the copies of the itineraries for which the payments were made.

Committee Observations

Payments may be made for services which were not rendered.

Committee Recommendation

The Committee recommends the Assembly to urge the Council of Ministers to ensure management at all times include copies of itineraries, payment vouchers and other supporting documents of the payments made to the travel agencies.

12. Irregular payment of Education Allowances: USD 12,000

Audit Commission reported that an amount of USD 12,000 was paid as education allowance to the staff without complying with the above regulations. No birth certificates, nor letters of admission, were attached to the payment vouchers.

Committee Observation

Education allowances can be paid for non-eligible children.

Committee Recommendation

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that management of EAKC abide by the EAC staff rules and regulations governing payment of education allowances.

8.0 CONCLUSION

In conclusion, the Committee commends the EAC Audit Commission for always executing its mandate. However, the Committee would like to recommend to Council to timely submit the Audited reports to the House so as to reduce on the backlog. The committee therefore, wishes to thank the Rt Hon. Speaker, Members, the Clerk and the entire administration of the Assembly for allowing it to carry out its oversight function. The Committee further appreciates the valuable time and information accorded to it by the management of the EAHRC and EAKC. The Committee therefore recommends that the report be adopted.

REPORT OF THE COMMITTEE ON ACCOUNTS TO ASSESS THE STATUS OF IMPLEMENTATION OF THE ASSEMBLY'S RECOMMENDATIONS ON THE AUDITED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017 AND 2018 FOR EAKC AND EAHRC

1. Hon. Kennedy Kalonzo Muskyoka
2. Hon. Abdikadir Omar Aden
3. Hon. Simon Mbugua
4. Hon. Thomas Dut Gatkek
5. Hon. Dr. Woda Jeremiah Odok
6. Hon. Dr. Gabriel Garang Aher
7. Hon. Eng. Mohamed Habib Mnyaa
8. Hon. Happiness Lugiko
9. Hon. Alhaj. Adam Kimbisa
10. Hon. Gasinzigwa Oda
11. Hon. Dr. Francois Xavier Kalinda
12. Hon. Jean Claude Barimuyabo
13. Hon. Pierre – Claver Rurakamvye
14. Hon. Marie – Claire Burikukiye
15. Hon. Leontine Nzeyimana
16. Hon. Susan Nakawuki
17. Hon. Mukasa Fred Mbidde

Kalonzo

Aden

Simon

Thomas

Woda

Gabriel

Mohamed

Happiness

Alhaj

Gasinzigwa

Francois

Jean Claude

Pierre

Marie

Leontine

Susan

Mukasa

