Approved for tabling

SWA 14/6/18

REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT

SECOND SESSION

SELECT COMMITTEE ON REGIONAL INTEGRATION

REPORT ON EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA) PLENARY SESSION HELD

IN ARUSHA, TANZANIA

FROM 13TH TO 16TH MARCH 2018

DIRECTORATE OF COMMITTEE SERVICES,

CLERK'S CHAMBERS,

PARLIAMENT BUILDINGS, **JUNE 2018**

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ABBREVIATIONS

EALA	– East Africa Legislative Assembly
RIC	– Regional Integration Committee
PSC	– Parliamentary Service Commission
AU	– African Union
EAC	– East African Community
UN	– United Nations
CS	– Cabinet Secretary
CAS	– Chief Administrative Secretary
EAC	– East African Community
EAC RAIP	– Regional Agricultural Investment Plan
EAC CAADP	– Comprehensive Africa Agriculture Development Programme

CHAIRPERSON'S FOREWORD

The Committee on Regional Integration received an invitation from East African Legislative Assembly to attend the 3rdMeeting of EALA Plenary Session in Arusha and benchmark on operations of regional assembly and interact with the counterpart committee.

The Committee held consultative meetings to familiarize itself with the work of EALA and also attended plenary sessions. During the sessions, the Committee learnt that the relevant legislations passed by EALA strengthened the integration process and Parliaments as key stakeholders participate at public hearings prior to enactment of Bills. The Committee noted that Article 65 of the EAC for the Establishment of the EAC espouses the relationships between the Assembly and the National Parliaments of the Partner States.

The Committee made the following observations:-

a. Mobilize resources towards the EAC subsequent budgets to facilitate the operations of the EAC Secretariat and other institutions;
b. Increase the percentage of Kenyans employed at EALA, UN, AU offices in Tanzania respectively;
c. Support a proposal of EALA Members to draft a welfare bill for inclusion in the Parliamentary Service Commission.

The Committee made the following recommendations:-

a. The Ministry of EAC and Northern Corridor Development should liaise with the National Treasury in mobilizing resources towards the operations of the EAC Secretariat and its institutions;
b. The Select Committee on Regional Integration and the Ministry of EAC and Northern Corridor Development should induct members of the Committee and EALA members to realize their respective mandates and areas of collaboration;
c. The EALA Members – Kenya Chapter should draft a welfare bill for inclusion in the Parliamentary Service Commission;
d. The Select Committee on Regional Integration and the Ministry of EAC and Northern Corridor should fast track the process of amending the EAC Treaty where necessary due to numerous flaws in the Treaty;
e. The Select Committee on Regional Integration, the National Assembly and the Ministry of EAC and Northern Corridor should strengthen relationships for ease of communication and sharing of information in strengthening the integration issues;
f. The Partner States should harmonize regional laws in conjunction with the EAC Laws; and
g. The Select Committee on Regional Integration should benchmark in Uganda and learn from the Regional Integration Committee. The benchmark should include the EAC Institutions within the Partner States.

On behalf of the Committee on Regional Integration, it is my pleasant privilege and honour to present to the House, its Report of the 3rdMeeting – 1stSession, 4thAssembly of EALA Plenary Session.

On behalf of the Committee on Regional Integration, it is my pleasant privilege and honour to present to the House, its Report of the 3rdMeeting – 1stSession, 4thAssembly of EALA Plenary Session.

THE HON. NAISULA LESUUDA, OGW, MP,

1.0 INTRODUCTION

The Committee attended the 3rd Meeting of the East African Legislative Assembly in Arusha from 13th to 16th March 2018 to benchmark on operations of regional assembly.

1.1 Mandate of the Committee

The Committee on Regional Integration is one of the Select Committees of the National Assembly established under Standing Order 212 and is mandated to:-

a. enhance the role and involvement of the House in intensification and development of the integration process in the East African Community and the greater African region;
b. examine the records of all the relevant debates and resolutions of the meetings of the East African Legislative Assembly;
c. examine the Bills introduced in the East African Legislative Assembly and Acts of the East African Community;
d. examine the records of all the relevant debates and resolutions of the meetings of the Pan African Parliament, the African, Caribbean and Pacific-European Union Joint Parliamentary Assembly and other regional integration bodies;
e. inquire into and examine any other matter relating to regional integration generally requiring action by the House.

1.2 Committee Membership

The Committee comprises the following members:

Chairperson	**Hon. Naisula Lesuuda, OGW, MP**
Vice Chairperson	**Hon. Capt. Ruweida Mohamed, MP**
	Hon. Kubai Iringo, MP
	Hon. Malulu Injendi, MP
	Hon. Sen. Janet Ong'era, MP
	Hon. Memusi Ole Kanchory, MP
	Hon. Ali Wario Guyo, MP
	Hon. Kassim Tandaza Sawa, MP
	Hon. William Kamket Kassait, MP
	Hon. Erastus Kivisu Nzioka, MP
	Hon. Christopher Nakuleu, MP
	Hon. Eve Obara, MP
	Hon. Geoffrey Omuse, MP
	Hon. Janet Teiyaa, MP
	Hon. Joyce Emanikor, MP
	Hon. Nasri Sahal Ibrahim, MP
	Hon. Rozaah Buyu, MP
	Hon. Geoffrey Odanga, MP
	Hon. Gideon Keter, MP
	Hon. Ndindi Nyoro, MP
	Hon. Ibrahim Mude, MP
	Hon. Mathias Robi, MP
	Hon. Gideon Ochanda, MP

1.3 Committee's Secretariat

Ms. Hellen L. Ekadeli	-	Clerk Assistant
Ms. Mary L. Lemerelle	-	Clerk Assistant
Dr. Kefa Omoti	-	Principal Research Officer
Ms. Christine Odhiambo	-	Legal Counsel

2.0 BACKGROUND

2.1 Mandate and Functions of EALA

Article 49 of the EAC Treaty establishes EALA as the legislative organ of the Community. Like most legislatures EALA has as its core functions legislating, oversight and representation. Article 49 further states that EALA:

a. Shall liaise with the National Assemblies of Partner States on matters relating to the Community;
b. Shall debate and approve the budget of the Community;
c. Shall consider annual reports on the activities of the Community, annual audit reports of the Audit Commission and any other reports referred to it by the Council;
d. Shall discuss all matters pertaining to the Community and make recommendations to the Council as it may deem necessary for the implementation of the Treaty;
e. May for purposes of carrying out its functions, establish any committee or committees for such purposes as it deems necessary;
f. Shall recommend to the Council the appointment of the Clerk and other officers of the Assembly;
g. Shall make its rules of procedure and those of its committees.

The Assembly may also perform any other functions as are conferred upon it by the Treaty. As noted above, EALA is empowered to make its own Rules of Procedure and to constitute Committees. EALA maintains seven standing committees: Accounts; Agriculture, Tourism and Natural Resources; General Purpose; Commission; Legal, Rules and Privileges; Regional Affairs and Conflict Resolution; and Trade Communication and Investment. EALA may also appoint Select Committees as needed. The composition and leadership of each of these Committees is equally shared among the Partners States.

There are 45 Members of EALA indirectly elected for a five-year (renewable) term by their respective National Assemblies (although not from within the National Assemblies), and five ex-officio Members. Article 50 of the Treaty requires that EALA's Members "represent as much as it is feasible, the various political parties represented in the National Assembly, shades of opinion, gender and other special interest groups in that Partner State". As such, EALA members come from diverse backgrounds such as business, NGOs, retired civil servants and Members of the National Assemblies. Aside from the latter, most have little or no parliamentary (or political) experience. The current staff compliment at EALA is 23, 13 at professional level and 10 in the general staff category.

a. Currently committees are comprised of around 15 members with the exception of the business committee which has 12 members; Nine from each member state. Members can be re-elected for a second term;
b. The ex-officio Members include one Minister from each partner state responsible for East African Community Affairs (currently there are five Ministers), the Secretary General of the EAC and the Counsel to the Community. They may participate in debates but have no right to vote in the Assembly. The Ex-officio Members report to EALA on the implementation of the Treaty and any other issues of interest to the Partner States;
c. Article 50 of the Treaty also requires that an MLA is a citizen of that Partner State; is qualified to be elected a member of the National Assembly of that Partner State under its Constitution; is not holding office as a Minister in that Partner State; is not an officer in the service of the Community; and has proven experience or interest in consolidating and furthering the aims and the objectives of the Community.

2.2 Meeting with the Speaker of EALA

The Delegation of Regional Integration Committee paid a courtesy call to the Speaker of EALA, Rt. Hon. Martin Ngoga, for a consultative meeting to familiarize them with the work of EALA and also meet with different EALA Committees. The Hon. Capt. Ruweida Mohamed led the delegation comprising of 7 Members of Parliament and a Committee Clerk.

The Speaker of EALA, Rt. Hon. Martin Ngoga pledged that EALA will continue to collaborate with respective Partner States' Parliaments to bring integration closer to the people. The collaboration is not just an obligation as stipulated for under the Treaty for the Establishment of the EAC but a concomitant desire by the Assembly to ensure citizens fully embrace the economic bloc.

The Speaker informed Members that EALA had continued in its quest to pass relevant legislation that strengthen the integration process and said the Parliaments were key stakeholders to be consulted at the public hearings and prior to enactment of Bills.

The Delegation on the Committee on Regional Integration will also interface with the Committee on Regional Affairs and Conflict Resolution as well as consultation with the Deputy Secretary General, Political Federation.
The Speaker informed the members that Article 65 of the Treaty for the Establishment of the EAC espouses the enhanced relations between the Assembly and the National Parliaments of the Partner States.

2.3 Plenary Session and Swearing in of Cabinet Secretary, Ministry of East African Community and Northern Corridor Development

East African Legislative Assembly, Arusha, March 13, 2018 swears in two senior Minister in the region as *ex-Officio* Members of EALA. Uganda's 2nd Deputy Prime Minister and Minister for EAC Affairs, Republic of Uganda, Rt. Hon. Dr. Ali Kirunda Kivejinja and the Cabinet Secretary for EAC and Northern Corridor Development in Kenya, Hon Peter Gatirau Munya, took the oath administered by the Clerk of EALA, before the EALA Speaker, Rt. Hon. Ngoga K. Martin.

The Oaths of Allegiance to the House were administered in accordance with Rule 5 of the Rules of Procedure of the Assembly. The Rules of Procedure say in part that: *"No Member can sit or participate in the proceedings of the House until the Oath or Affirmation of Allegiance to the Treaty is taken"*.

First to take the Oath of Allegiance was the Cabinet Secretary for East African Community and Northern Corridor Development in the Republic of Kenya, Hon Peter Gatirau Munya. The Cabinet Secretary was ushered into the House by Hon. Mpuru Aburi and Hon. Abdikadir Aden.

Hon. Peter Gatirau Munya was sworn in as Cabinet Secretary for EAC and Northern Corridor in the Republic of Kenya on February 16th, 2018 following his appointment by H.E. Uhuru Kenyatta. Prior to his appointment as Cabinet Secretary, Hon. Peter Munya served as the first Governor of Meru County, where he was credited with many firsts among them, encouraging investment in sectors providing stable market to the local farming, creating employment and provision of vital services to the local business community.

As Governor, Hon. Peter Munya also served as the second Chairman of the Council of Governors. He previously served as a Member of Parliament for Tigania East Constituency in Meru County (2002-2007) and as Leader of the Party of National Unity (PNU). In December 2007 while serving in his second term as MP, Hon. Peter Gatirau Munya was appointed the Assistant Minister, East African Community, where he called for expansion of roads, improvement of existing harbours and building of new ports.

Hon. Munya holds a Master's Degree in International Law (International Economic Integration Law) obtained from University of Brussels in 1995 and a second Master's Degree in Law (Public Law) obtained from the University of Georgia, USA. He is a holder of a Bachelor of Law degree (LLB Hons), from the University of Nairobi.

On his part, Hon. Dr. Ali Kirunda Kivejinja was led in by Hon. George Odongo and Hon. Rose Akol. He was appointed to cabinet by H.E. President Yoweri Kaguta Museveni in November 2015 and then re-appointed in June 2016 following the elections in the country. He is Uganda's 2nd Deputy Prime Minister and Minister for EAC Affairs, Republic of Uganda.

The Sitting was also attended by legislators from the Republic of Kenya and Uganda who were in Arusha familiarizing with the activities of EALA and deepening the relationship with the National Parliaments. Kenya's Regional Integration Committee was headed by Hon. Capt. Ruweida Mohamed while Hon. Hood Katuramu led the Committee on Commission, Statutory Committees and Public Enterprises (COSASE) from Parliament of Uganda.

2.4 Plenary Session and Swearing in of Chief Administrative Secretary for EAC

East African Legislative Assembly, Arusha, March 15, 2018: The Chief Administrative Secretary (CAS) for EAC and Northern Corridor Development, Republic of Kenya, Hon. Ken Obura Mirenga was sworn in as *ex-Officio* Members of EALA, a day after the CS, Hon. Peter Munya.

The Oaths of Allegiance to the House were administered in accordance with Rule 5 of the Rules of Procedure of the Assembly. The Rules of Procedure say in part that: *"No Member can sit or participate in the proceedings of the House until the Oath or Affirmation of Allegiance to the Treaty is taken".*

Speaker of EALA, Rt. Hon. Ngoga, congratulated the new ex-officio Member. Hon. Ken Obura was sworn in as Chief Administrative Secretary for EAC and Northern Corridor in the Republic of Kenya following his appointment by H.E. Uhuru Kenyatta. Prior to joining the Executive, Hon. Ken Obura was the immediate former Member for Kisumu Central Constituency. While in Parliament, Hon. Ken Obura, who is an Advocate of the High Court of Kenya, was a Member of the Defence and Foreign Relations Committee.

As Chief Administrative Secretary, Hon. Ken Obura shall be the alternate representative in the House in absence of the substantive Cabinet Secretary. In accordance with Article 48, an Assistant Minister, Deputy Minister or Minister of State may only participate in the meetings of the Assembly when the substantive Minister responsible for East African Community Affairs is for any reason unable to participate.

2.5 Meeting with the EALA members – Kenya Chapter

Hon. Simon Mbugua, MP – Chairperson Kenya Chapter
Hon. Dr. Oburu Oginga, MP
Hon. Aden Noor, MP
Hon. Wanjiku Muhia, MP
Hon. Aden Mohamed Noor, MP
Hon. Kennedy Musyoka, MP
Prof. Chriss Ackello Ogutu – RAIP Consultant
Mr. Kenneth Ayuko – RAIP Consultant
Dr. Philliph Musyoka – RAIP Consultant

The Chairperson Kenya Chapter called the meeting to order at 10.00 a.m. and thanked the delegation of the Regional Integration Committee for electing the EALA members and more importantly attending the 3rdMeeting – 1st Session – 4th Assembly of EALA Plenary Sessions. He further reiterated that, it was a great honour for them and promised to work hand in hand to represent the interests of the Country in EAC.

The Chairperson introduced the team developing the EAC Regional Agricultural Investment Plan (RAIP) for 2018 – 2025.Prof.ChrissOgutu informed the meeting that the report of the RAIP was at its last stages of conclusion. The report has undergone extensive validation processes whereby stakeholders and policymakers have interrogated the document. Likewise, the interests of the pastoralists' community in animal husbandry have been considered alongside the agricultural areas of the EAC. Further, the report after adoption will be posted to the EAC website for public consumption.

The EAC RAIP is anchored on the EAC CAADP Compact, the EAC CAADP Results Framework and other key regional Agriculture Sector Instruments. The RAIP is aligned to Malabo Declaration goals and commitments. It is designed to facilitate coordination of regional and crosscutting programmes that are best handled regionally and those that compliment interventions in the National Agriculture investment Plans. The EAC RAIP seeks to catalyze the realization of the CAADP goals in the following five investment thematic areas:

a. Increasing regional agricultural production and food supply;
b. Enhancing food utilization;
c. Promoting agribusiness, value addition and agro-industry;
d. Promoting sustainable natural resource use and management; and
e. Strengthening capacities of EAC regional agricultural institutions.

The EALA Kenya Chapter raised concerns over considerable issues affecting their welfare and environs of work including:-

a. the mobilization of resources towards the EAC 2017/2018 budget;
b. the small percentage of Kenyans employed at the EALA, UN, AU offices respectively;
c. support EALA members proposal to employ a secretariat (Clerk Assistant, Driver, Body Guard and Office Assistant); and
d. A proposal to draft a bill for inclusion in the Parliamentary Service Commission for further benefits in Medical Cover, Car Loan, Mileage Allowances and Retirement Scheme.

The meeting agreed to establish closer working relationships and resolved:-

a. tasked the Regional Integration Committee and the Ministry of EAC and Northern Corridor Development to propose a date for the Induction of both members either in Naivasha or Mombasa;
b. The Induction programme to include presentations from the EAC Secretariat e.g. Secretary General, Deputy Secretary General of EAC; National Intelligence Service, Foreign Affairs and Immigration department;
c. The RIC to speed up the process of amending the EAC Treaty due to numerous imperfections in the Treaty;
d. To strengthen the relationship between RIC, National Assembly and the Ministry of EAC and Northern Corridor to ease seamless communication and sharing of information to strengthen integration issues;
e. Harmonization of Partner State laws in conjunction with the EAC laws vis a vis the regional laws of Partner States.

2.6 Meeting with the Committee on Regional Integration Affairs and Conflict Resolution.

The Regional Integration Committee and its counterpart in EALA, the Regional Integration Affairs and Conflict Resolution agreed to schedule a separate meeting during its induction retreat to be held in May 2018.

3.0 OBSERVATIONS

The Committee made the following observations:-

a. Mobilize resources towards the EAC subsequent budgets to facilitate the operations of the EAC Secretariat and other institutions;
b. Increase the percentage of Kenyans employed at EALA, UN, AU offices in Tanzania respectively;
c. Support a proposal of EALA Members to draft a welfare bill for inclusion in the Parliamentary Service Commission.

4.0 RECOMMENDATIONS

The Committee made the following recommendations:-

a. The Ministry of EAC and Northern Corridor Development should liaise with the National Treasury in mobilizing resources towards the operations of the EAC Secretariat and its institutions;
b. The Select Committee on Regional Integration and the Ministry of EAC and Northern Corridor Development should induct members of the Committee and EALA members to realize their respective mandates and areas of collaboration;
c. The EALA Members – Kenya Chapter should draft a welfare bill for inclusion in the Parliamentary Service Commission;
d. The Select Committee on Regional Integration and the Ministry of EAC and Northern Corridor should fast track the process of amending the EAC Treaty where necessary due to numerous flaws in the Treaty;
e. The Select Committee on Regional Integration, the National Assembly and the Ministry of EAC and Northern Corridor should strengthen relationships for ease of communication and sharing of information in strengthening the integration issues;
f. The Partner States should harmonize regional laws in conjunction with the EAC Laws; and
g. The Select Committee on Regional Integration should benchmark in Uganda and learn from the Regional Integration Committee. The benchmark should include the EAC Institutions within the Partner States.

SIGNED..**DATE** ..13/06/2018..........................

THE HON. NAISULA LESUUDA, OGW, MP
CHAIRPERSON,
COMMITTEE ON REGIONAL INTEGRATION

MINUTES OF THE THIRTY-THIRD SITTING OF THE SELECT COMMITTEE ON REGIONAL INTEGRATION HELD ON WEDNESDAY 30TH MAY, 2018 AT ENGLISH POINT MARINA HOTEL IN MOMBASA AT 9.00 A.M.

PRESENT

1. Hon. Naisula Lesuuda, MP, OGW - Chairperson
2. Hon. Capt. Ruweida Mohamed, M.P – Vice Chairperson
3. Hon. Mathias Robi, M.P
4. Hon. Malulu Injendi, M.P
5. Hon. Joyce Emanikor, MP
6. Hon. Gideon Keter, M.P
7. Hon. William Kamket, M.P.
8. Hon. Ndindi Nyoro, M.P.
9. Hon. Memusi Kanchory, MP
10. Hon. Sen. Janet Onge'ra, MP
11. Hon. Eve Obara, MP
12. Hon. Kubai Iringo, MP
13. Hon. Abdi Mude Ibrahim, MP
14. Hon. Erastus Kivisu, MP
15. Hon. Kassim Tandaza, MP

APOLOGIES

1. Hon. Ali Wario Guyo, M.P.
2. Hon. Dr. Gideon Ochanda, M.P.
3. Hon. Geoffrey Omuse, M.P
4. Hon. Janet Teiyaa, MP
5. Hon. Nasri Sahal Ibrahim, MP
6. Hon. Rozaah Buyu, MP
7. Hon. Ezekiel Ombaki, MP

ABSENT

1. Hon. Christopher Nakuleu, MP

IN – ATTENDANCE

MINISTRY OF EAST AFRICAN COMMUNITY AND NORTHERN CORRIDOR DEVELOPMENT

1. Hon. Ken Obura	-	Chief Administrative Secretary
2. Mr. Julius Mwabu	-	Deputy Director
3. Ms. Winnie Cheserem	-	Principal State Counsel
4. Mr. Mark Ogut	-	Senior Ass. Director

SECRETARIAT

1. Ms. Hellen Ekadeli	-	Clerk Assistant
2. Ms. Mary Lemerelle	-	Clerk Assistant
3. Ms. Christine Odhiambo	-	Legal Counsel
4. Mr. James Kimiti	-	Audio Officer

MINUTE NO.124/2018 PRELIMINARIES

The meeting was called to order at 9.30 a.m. by the Chairperson. A prayer was said by Hon. Malulu Injendi and the agenda of the meeting was adopted as consideration of the reports of inspection visits and foreign travels conducted by the Committee.

MINUTE NO.125/2018 CONSIDERATION AND ADOPTION OF ISEBANIA ONE STOP BORDER POST INSPECTION VISIT IN MIGORI COUNTY

The Committee examined the report and agreed on its recommendations as follows:-

a. The Partner States should sensitize and encourage their citizens to embrace the EAC spirit of enhancing regional integration and reciprocity treatment in engaging with other Partner States. Kenya Presidential directive on free movement within EAC without requirement of passport is not reciprocated in Tanzania;

b. The Partner States to implement uniform application of procedures at all border posts facilities along the Kenya/Tanzania borders in terms of clearing of goods and people at the entry/exit points. Procedures at Sirare Border Post are not similar with those at Namanga Border Post;

c. The Partner States to lift the periodical ban on exports of fish and levies and fees imposed on the exports. There are numerous non-tariff barriers being imposed on exports out of Tanzania to Kenya. There is an export ban on Tilapia and un-processed Nile Perch from Tanzania to Kenya. High fees/levies for export permits of agricultural produce from Tanzania. These permits are only available at Dar es Salam as there are no local offices at Sirare to offer these services;

d. The Department of Immigration through the Ministry of Foreign Affairs to harmonize the business visa and other related requirements. The business visa rates are higher in Tanzania;

e. The Partner States to heighten security at the border areas and encourage joint border coordinating committee meetings to ensure structured engagement;

f. The additional borders entry/exit points including Muhuhu Bay, Nyamtiro and Kopanga to be gazetted and a law enacted to create mobile border stations and manned by all border agencies. The distance between Isebania border area of control and the next border entry point is Namanga is 297 km. This leaves a vast stretch along the border that is un-manned and no record of activities happening in the various border crossings. This is both a security and revenue risk to the country; and

h. The Committee recommended the removal of the barrier erected at the entrance of Isebania Border Post facility by the Migori County government.

The Committee adopted the report having been proposed and seconded by Hon. Mathias Robi and Hon. Malulu Injendi respectively.

MINUTE NO. 126/2018 **CONSIDERATION AND ADOPTION OF EALA PLENARY SESSION IN ARUSHA**

The Committee considered the report and agreed to its observations as follows:-

i. Mobilize resources towards EAC subsequent budgets to facilitate the operations of the EAC Secretariat and other institutions;

ii. Increase the percentage of Kenyans employed at the EALA, UN, AU offices respectively; and

iii. Support a proposal of EALA members to draft a welfare bill for inclusion in the Parliamentary Service Commission.

It further recommended that:-

a. The Ministry of EAC and Northern Corridor Development should liaise with the National Treasury in mobilizing resources towards the operations of the EAC Secretariat and its institutions;

b. The Select Committee on Regional Integration and the Ministry of EAC and Northern Corridor Development should induct members of the Committee and EALA members to realize their respective mandates and areas of collaboration;

c. The EALA Members – Kenya Chapter should draft a welfare bill for inclusion in the Parliamentary Service Commission;

d. The Select Committee on Regional Integration and the Ministry of EAC and Northern Corridor should fast track the process of amending the EAC Treaty where necessary due to numerous flaws in the Treaty;

e. The Select Committee on Regional Integration, the National Assembly and the Ministry of EAC and Northern Corridor should strengthen relationships for ease of communication and sharing of information in strengthening the integration issues;

f. The Partner States should harmonize regional laws in conjunction with the EAC Laws; and

g. The Select Committee on Regional Integration should benchmark in Uganda and learn from the Regional Integration Committee. The benchmark should include the EAC Institutions within the Partner States.

The report was adopted having been proposed and seconded by Hon. Kubai Iringo and Hon. Memusi Kanchory respectively.

MINUTE NO. 127/2018 **CONSIDERATION AND ADOPTION OF EALA PLENARY SESSION IN DODOMA**

The Committee discussed the report and recommends the following to the National Assembly:

a. That the Council of Ministers should in consultation with respective Partner States Assemblies, develop an enforcement mechanism for the implementation of the commitments agreed by Partner States;

b. That, the Ministry of EAC and Northern Corridor Development should intensify sensitization programs about the EAC Integration, its aspirations, its benefits and the role of ordinary Kenyan citizens;

c. That, the Ministry of EAC and Northern Corridor Projects should ensure that all the projects implemented by the EAC Institutions in Kenya are well integrated into the local community development priorities;

d. That, the Ministry of EAC and Northern Corridor Development to request the Council of Ministers to increase the funding of EAC Institutions for growth and execution of their mandate;

e. That, the Ministry of EAC and Northern Corridor Development to liaise with the National Treasury to ensure timely remittance of Kenya's contribution to EAC budget and regularly brief the Select Committee on Regional Integration on the same;

f. That, the Ministry of EAC and Northern Corridor should liaise with the Council of Ministers to direct Partner States to ensure effective interface of different Customs IT Systems for seamless operations;

g. That, the Ministry of EAC and Northern Corridor Development should identify the Kenyan laws, policies and regulations that needs to be harmonized with other Partner States and share the same with the Select Committee on Regional Integration for fast tracking in facilitation of cross border trade within the region; and

h. The State department of Immigration to facilitate adequate staffing and infrastructural development within the One Stop Border Post facilities and ensure free movement of persons particularly students from Partner States.

MINUTE NO. 128/2018 **CONSIDERATION OF NAMANGA ONE STOP BORDER POST INSPECTION VISIT IN KAJIADO COUNTY.**

The Committee examined the report and conclusively agreed to invite the Kenya Revenue Authority CEO to address the issues which were raised by the local community concerning the operations and management of the Namanga Border Post facility. The primary issues touched on unemployment of the locals, treatment of women traders, tendering and allocations of tenders to non-locals, use of facilities within the Border Post including the operations of the canteen and corporate social responsibility of the facility towards the locals.

MINUTE NO. 129/2018 **ADJOURNMENT**

There being no other business, the meeting was adjourned at thirty minutes past one o'clock.

SIGNED..

(Chairperson)

DATE...........5/06/2018...

SELECT COMMITTEE ON REGIONAL INTEGRATION

ADOPTION OF REPORT ON THE 3RD MEETING – 1ST SESSION – 4TH ASSEMBLY OF EALA PLENARY SESSION HELD IN ARUSHA, TANZANIA

S/No	NAME	SIGNATURE
1.	Hon. Naisula Lesuuda,OGW, M.P	
2.	Hon. Capt.Ruweida Mohamed, M.P	
3.	Hon. Mathias Robi, M.P	
4.	Hon. William Kamket, M.P	
5.	Hon. Eve Obara, M.P	
6.	Hon. Ali Wario, M.P	
7.	Hon. Ndindi Nyoro, M.P	
8.	Hon. Geoffrey Omuse, M.P	
9.	Hon. Rozaah Buyu, M.P	
10.	Hon. Janet Ongera, M.P	
11.	Hon. Nasri Ibrahim, M.P	
12.	Hon. Memusi Ole Kanchory, M.P	
13.	Hon. Dr. Gideon Ogolla, M.P	
14.	Hon. Iringo Cyprian Kubai, M.P	
15.	Hon. Moses Injendi, M.P	
16.	Hon. Gideon Keter, M.P	
17.	Hon. Kassim Tandaza Sawa, M.P	KS
18.	Hon. Abdi Mude Ibrahim, M.P	
19.	Hon. Joyce Emanikor, M.P	
20.	Hon. Erastus Kivasu, M.P	
21.	Hon. Ezekiel Ombaki, M.P	
22.	Hon. Christopher Nakuleu, M.P	
23.	Hon. Janet Teyiaa, M.P	

participants in the project agreement. The excess expenditure over the budget was not supported with the approval of the additional budget by EDF for the purpose and functions of the EAC procurement manual harmonization and validation of templates. In the absence of approval by the funding partner, the expenditure above the agreed budget was therefore unauthorized.

While interacting with the Committee, the EAC Management informed the meeting that the need to have a revised version of the policies and procedures manual was long overdue. The EU assessment report had previously glaring gaps and mismatch between the financial rules and regulations 2012 and the Procurement policies and procedures manual 2011. There was urgent need to revise and have them operational before the EU Fiduciary Risk Assessment that was planned to take place February 2016.

Management further reported that due to the size of the documents together with the annexes in the form of operational templates, the management thought that it was better to deploy a big team and fast track the review. However, the budget originally provided (EURO 45,940) was seen to be inadequate and therefore the management requested for more funding and as a result the budget was revised to EURO 71,093 and later on revised to EURO 90,353.

The Committee took note of the likely risk that the DP may withdraw from supporting the region due to divergence from the financing agreement. Besides, some of the planned activities may not be accomplished due to utilization of funds to other unplanned activities.

The Committee further noted that the attendance of non-core staff like the secretaries who were supposed to provide technical assistance in developing the EAC procurement manual casts doubt into the seriousness of the exercise and the EAC might not have achieved the value for money.

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

i) ***Ensures that the project managers of IRCC project strictly adheres to the financing agreement when implementing projects financed by the Development Partners. In case of any excess expenditure envisaged, authority for approval of such expenditure should be sought from the Development Partners and the EAC Management.***

ii) ***The management should ensure that future engagements are strictly attended by the intended beneficiaries of the project or the technical personnel who are knowledgeable or relevant in that particular area/field.***

2.19.3 Deficiencies in the management of the contract for "Asset Management Software and post implementation support"

The audit Commission reported that on 31st March 2016, East African Community entered in a contract with IMPAX BUSINESS SOLUTIONS LIMITED to supply and install the Asset Management Software and Post Implementation Support for EAC Institutions of LVBC, LVFO and IUCEA at a contract sum €97,559.45.The contract under paragraph 1.1 stipulated that the place of acceptance of the supplies has to be the Headquarters of EAC Institutions of LVBC, LVFO and IUCEA in KISUMU, JINJA and KAMPALA respectively. According to the contract, the timeframe for implementation of the project was to run from 21st January 2016 to 13th April 2016 (a period of three weeks, maximum 3 months).

Audit noted that a review of the Implementation Plan for the service noted that the Consultant started implementing of the project on 19th September 2016 and was supposed to complete the exercise on 13 October 2016(a period of three weeks). It stated that the project was delayed for period of six months from the original implementation date of 13th April 2016. In addition, the project implementation programme agreed between the AFD and EAC was to expire on 14th August 2016 and therefore the project started the implementation while the agreement had expired and there was no objection granted by EDF for further extension of project closure besides the project implementation was not completed as some of the scope of work were not adequately implemented. According to the payment documents, the supplier was paid the entire contract sum amounting €97,559.45 although some of the contracted works had not been completed.

The EAC Management informed the Committee that much as the contract for Assets Management for the LVBC, LVFO, CASSOA and IUCEA was supposed to have run between 21st January 2016 to 13th April 2016, funding to support the project from the IRCC was not forthcoming until September, 2016 when the project was only given partial payments of the required funds to enable the consultant to commence.

Management further reported that, it was until the end of the September 2016, that the project commenced the implementation of the software in the EAC Institutions in which the deliverables were delivered. For this constraint the supplier assigned more resources on to the project so as to finalize the project within the renegotiated timelines.

The supplier developed and agreed an implementation plan to not only commit to deliver the remaining tasks but also continue to handhold the EAC Institutions at no additional costs until they are all comfortable and operational with regard to the Assets Management Software.

The Committee observed the following:

- The intended objective was not timely met since the custodian of the assets was not conversant with the systems application of asset management.

- The Community risked loss of funds in case the consultant failed to complete the remaining scope of works since there was no legal recourse in case of dispute as the consultant had submitted the project final report to the Community.

The Committee recommends to the Assembly to urge the Council of Ministers to direct the EAC Management to ensure that: -

- ***in future, final payment is effected upon adequate completion and testing of the project.***

2.19.4 Long outstanding items on the bank Reconciliation

The Audit Commission reported that there existed long outstanding items on the bank reconciliations amounting to €708.93 contrary to EAC Financial Procedures Manual 2012, When the Committee interacted with the management, and they concurred with the audit finding and revealed that this was a result of bank error which has remained unresolved.

The Committee observed that long outstanding items are an indication of inadequate monitoring and follow-up of items identified during the bank reconciliation process.

The Committee recommends to the Assembly to urge the Council of Ministers to direct the EAC Management to carry out regular and timely monitoring and follow up of long outstanding items with the intention of clearing them from the future reconciliation statements.

2.20 THE EAST AFRICAN LEGISLATIVE ASSEMBLY

2.20.1 Non-Provision of Internal Audit Reports

The Audit Commission reported that the Internal Audit Manual Sec. 3.4.7 provides that the Internal Audit is expected to produce quarterly internal audit reports to be submitted to the Secretary General and the Audit and Risk Committee detailing risks uncovered and the recommendations required to mitigate the same.

The Financial Rules and Regulations 114(3) provide that the Head of Internal Audit shall prepare quarterly internal audit reports which shall be discussed with the Secretary General before submission to the Audit and risk Committee.

The Audit Commission found that, the internal audit did not carry out the audit of EALA for financial year 2015/16.

Appearing before the Committee the Management of the Assembly admitted that the internal audit for the period under review was not carried out largely due to manpower and staffing challenges faced by the department of internal audit. In addition, EALA had no internal auditor within its staff structures and that, the audit function for all EAC organs and some institutions is shared with the East African Community Secretariat. In addition, the Assembly management informed the Committee that the process of recruiting a full time internal auditor for the Assembly was awaiting the completion of the institutional review exercise which seeks to establish the position within the Assembly staff structure.

The Principal Internal Auditor on the other hand informed the Committee that the Audit department has largely been understaffed with one auditor providing audit services for all organs and institutions of the Community. He however, informed the Committee that two auditors have been recruited and more positions have been advertised to fill the vacant positions. In addition, the Assembly management informed the Committee that the process of recruiting a full time internal auditor for the Assembly was awaiting the completion of the institutional review exercise which seeks to establish the position within the Assembly staff structure.

The Committee observed that non-provision of audit services may be a cause for errors or losses if not regularly detected through the internal audit function.

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

i) ***to ensure that management complies with guidelines related to the performance of regular internal audits of all organs and institutions of the Community.***

ii) ***to establish an Audit department at the East African Legislative Assembly in order to ensure that the auditing function is in place.***

2.20.2 Non-Appraisal of Staff Performance

The Audit Commission reported that regulation 32 (3) of the EAC Staff Rules and Regulations (2006) requires that performance evaluations are conducted on annual (calendar year) basis for every confirmed member of staff. For the staff on probation, performance evaluation shall be carried out as stipulated under regulation 30 of the staff rules and regulation.

During its meeting with Management of the Assembly, the Committee noted that the matter arose due to lack of HR function in the Assembly, which relies on the Secretariat for HR services. As a result, not all staff members were able to fill appraisal forms and this included two sets of performance assessments, namely; the regular performance reviews stipulated in the EAC Staff Rules and Regulations and the other being the EALA Commission assessment reviews for EALA Staff. In order therefore, to comply with the Auditors recommendations, the management explained that, an *annual silent week* was introduced whereby all the staff convene to carry out a midterm review of their performance through a self-assessment which culminates into filling the annual appraisal forms for the previous calendar year.

The Committee observed that non-assessment of staff performance impedes the assessment of the level of achievement of the agreed objectives and output. It also limits performance improvement in areas of weaknesses as well as difficulties in rewarding or recognizing good performance.

The Committee recommends to the Management of the East African Legislative Assembly to ensure that the Staff Appraisal forms are regularly updated and filled as per regulation 32 of the staff rules and regulations.

2.20.3 Renewal of the contracts for temporary staff without Due Diligence

The Audit Commission reported that Section 20 (2) (b) of the EAC staff rules and regulations on temporary staff explains that, the persons appointed shall be required to have qualifications applicable to that position. The Commission noted that during the year under review EALA had renewed the contracts for 19 temporary staff/short term contracts. However, there was no due diligence exercise undertaken to ascertain the staff requisite qualifications and experiences for the job.

The Management of the Assembly informed the Committee that the initial due diligence process was carried out in July 2016 and forwarded the same to the EALA Commission, which formed the basis for the renewal of contracts. The Commission has also authorised a comprehensive due diligence exercise for the same category of staff. As a result, management brought this matter to the attention of the Secretary General to include the staff in the overall comprehensive exercise for the EAC General Staff category as and when it commences.

Management further informed the Committee that staff recruitment is guided by the Administration of the EALA Act 2011 which mandates the EALA Commission in section 4 to make recommendations on staff recruitment and this empowers it to effect due diligence when needed. The procedure further requires the Commission to assess all proposals for recruiting EALA staff.

The Committee observed that issuing new contracts without conducting due diligence process suggest that EALA was unable to measures the performance of those staff hence may have affected their overall operational performance.

The Committee recommends to the Assembly to urge the EAC Council of Ministers to;

i) ***to compel the management of EALA to ensure that staff appraisal forms are regularly filled and updated as per regulation 32 of the Staff Rules and Regulations.***

ii) ***do a retrospective due diligence exercise on the qualifications and experience of all the temporary staff that were recruited.***

iii) ***urge the EALA Commission to review the EALA structure to establish the positions that are needed and upon establishment, to authorise a competitive recruitment exercise to fill the vacancies.***

2.20.4 Items worth USD.51, 362 not taken in Stores Ledger

The Audit Commission reported that according to the EAC Financial Rules and Regulations 2012, Regulation 10.3(b), provides that all supplies, equipment and other property received by the EAC will be immediately inspected by a Senior officer not involved in stores and procurement management to ensure that their condition is satisfactory and in accordance with the terms of the related purchase/ contract.

In addition, a goods received note is prepared by the Stores Assistant and approved by the Senior Officer on all items received, and the items shall be immediately entered in the appropriate stores ledger and property records. The Stores Assistant will then enter the items purchased into the system.

During an interactive meeting with the Committee, the Management of the East Africa Legislative Assembly admitted that the items were later recorded in compliance with the regulations. Management further reported that all procedures had been followed up to the issuance of the goods received note from the stores but did not follow up with the stores to ensure that the items were recorded in the ledger. This was attributed to the lack of knowledge of full stores procedures by the concerned staff. In addition, the lack of fully dedicated stores staff in the EALA staff structures has created a manpower gap and management has made recommendations in the institutional review report to have a dedicated stores officer for the Assembly.

The Committee observed that the failure to record all purchases in a stores ledger over and beyond a goods received note presupposes non-verification of the receipt of goods or whether they were entered in the stores.

The Committee recommends to the Assembly to urge the EAC Council of Ministers to;

- ***i) advice Management of the Assembly to ensure that all items that are procured are recorded in the stores ledger.***
- ***ii) expedite the Institutional Review exercise such that the manpower gaps are addressed at the Assembly including filling the position of the Stores Assistant.***

2.20.5 THE EAST AFRICAN COURT OF JUSTICE (EACJ)

2.20.6 Transactions with Non-prequalified Suppliers- USD 151,157

The Audit Commission reported that the EACJ procured goods and services from different suppliers worth **USD151,157** that were not pre-qualified as per the updated list provided by the Procurement unit for the year under review. Contrary to EAC Procurement Policies and Procedures Manual 2011, Section 5.2.1(1) and (3) and regulation 67 of the Financial Rules and Regulation 2012

The Management of the Court conceded to the audit finding and clarified that Court does not carry out any procurements above 10,000. Any amount above that threshold is forwarded the Secretariat for processing. The Committee was informed that when the proposal to grant full autonomy to EACJ is actualised, the EACJ will have its own fully procurement department to handle its own procurements.

The Committee observed that the EACJ exposed itself to risks associated with non-prequalified suppliers as they are not committed to offer the best quality goods and services at competitive prices.

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

- ***i) procurement unit transacts with only prequalified suppliers as per the procurement guidelines and procedures of 2011.***

ii) Procurement Unit should periodically pre-qualify or seek for updates from the already prequalified firms; or with the approval of the Procurement Committee identify new suppliers in accordance with Section 5.2.1(14&15) of the EAC Procurement Policies and Procedures Manual 2011.

iii) the institutional review exercise is expedited such that the positions of procurements are filled at the Court of Justice for them to handle their own procurements.

2.20.7 Supply and Installation of ICT Equipment at USD 100,949.78

The Commission reported that M/S. Cyberworld was given two purchase orders to supply Desktops, Laptops, Printers, UPSs, Smart TVs and heavy-duty scanners for EACJ on 19/06/2015 at a cost of USD.100,949.78. The items were subsequently delivered and paid for on 30/06/2015 and 21/09/2015 respectively. However, audit review revealed the following anomalies:

Appearing before the Committee, the Registrar of Court and the Senior Procurement officer, reported that every procurement above 10,000 USD is forwarded to the Secretariat for processing and conceded to the procurement queries as pointed out by the Audit Commission report.

Regarding VAT, Management of Court clarified that during tendering process of the ICT equipment was VAT exempt but it changed towards the end of the Financial Year where the Government reinstated the VAT in all ICT equipment. They noted that since that particular procurement was completed towards the end of that particular Financial Year, the Supplier had to charge VAT in order to comply with the Government Policy. They explained that Since EAC is tax exempt, a refund had to be requested from Tanzania Revenue Authority (TRA) through the Ministry of Foreign Affairs and are still waiting for the response.

The Committee observed that:-

i) non-compliance with the procurement procedures may have denied the EACJ the benefit of purchasing goods of high quality at prices that are competitive,

ii) **The role of the Counsel to the Community.** The Committees observes that the conspicuous absence of the Council to the Community in the tendering and procurements processes was denying the Community the legal guidance. If his input was to be considered, the Committee hopes that the glaring procurements frauds currently facing the Community could have been avoided.

iii) Absence of the Contracts Manager. Just like the other numerous procurements at the Community, the absence of a Contracts Manager makes it extremely difficult to have a successfully procurement exercise. Normally every procurement should have a Manager to follow up on the implementation of the Contract.

iv) Payment of VAT on exempted goods could have caused a financial loss to the Community.

The Committee recommends to the Assembly to urge the EAC Council of Ministers to;

i) ***Ensure that the management of EACJ should comply with the procurement procedures in dealing with all procurements of goods and services in order to enhance compliance and transparency and also to obtain high quality goods and services at a reasonable price.***

ii) ***Immediate and mandatory presence of the office of the Counsel to the Community on every procurement at the East African Community to ensure that the procurements adhere to the legal and statutory obligations of the Community.***

iii) ***Immediate and mandatory presence of the Contracts Manager on every procurement to ensure follow up on the implementation of the Contract.***

2.20.8 Supply of furniture for the new appointed EACJ Staff – USD 29,486

The Audit Commission reported that purchase order for the supply of various furniture for new staff of EACJ was given to M/s. Mbasha Holdings Ltd at a cost of **USD 29,486** on 19/06/2015.The Audit Commission noted the following:

- There was no procurement file.
- There was no proof to verify that the same request for quotation was sent to at least three suppliers and those quotations were received and evaluated to benefit from quality products and competitive prices contrary to EAC Procurement Regulation 6.5(14)
- Differences were noted in the items ordered, delivered and invoiced against the items requisitioned for and approved.
- A complete evaluation report was not provided, but the evaluation results showed that M/S.Mbasha Holdings was recommended for the award of LOT 4 at USD.22,781.20. The LPO issued on 19/06/2016, however had a different total cost

of USD29,486.20 which was caused by changes on the number of items ordered from the ones recommended under the evaluation price list. The changes lacked approval of the Procurement Committee to be authentic.

- A manual goods received note was issued and yet an official SUNSYSTEM local purchase order was used without justification.

During an interactive meeting with the Committee, the Management of the Court and the Senior Procurement officer reiterated same response as above, regarding procurements.

The Registrar of the Court explained that he was hardly three months in office and as such he found when the procurements processes had been initiated.

The Committee observed that:-

i) The EAC procurement procedures were not adhered to, and as such, this could have denied the EACJ the benefit of purchasing goods of high quality at prices that are more competitive.

ii) **The role of the EACJ in the procurements.** Although the regulations require that all the procurements above the 10.000 USD threshold are handled at the Secretariat, the failure by the user department in this case the EACJ an opportunity to get involved in the procurement process renders the entire exercise problematic in the event of not procuring the required items.

iii) **M/s. Mbasha Holdings Ltd.**

The Committee observed the preferential manner in which M/s. Mbasha Holdings Ltd is treated to the extent that M/S.Mbasha Holdings was recommended for the award of LOT 4 at USD.22,781.20. The LPO issued on 19/06/2016 however had a different total cost of USD29,486.20 which was caused by changes on the number of items ordered from the ones recommended under the evaluation price list. The changes lacked approval of the procurement Committee to be authentic.

The Committee recommends to the Assembly to urge the EAC Council of Ministers to;

i) Direct Management of Court to comply with procurement procedures in force in dealing with all procurement of goods and services to enhance transparency and obtain value for money.

ii) ***Work in line with regulation 82, which states inter alia "An official of the Community who willfully purchases or causes to purchase any goods, works and services contrary to this part shall be personally liable for the cost of the purchase" the Senior Procurement officer should be held responsible for this blotched procurement process.***

2.20.9 Supply of Judges' Gowns and tyres USD

The Audit Commission reported that various firms supplied gowns and tyres to the Community. They noted that procurement procedures were not adhered to and lacked transparency and fairness which may have denied EACJ the benefit of purchasing goods and services at competitive prices.

The EACJ Management concurred with audit finding but noted that J.R. Stephens is specialized supplier of the gowns, chamber jackets, shirts, trousers and bibs in the region. Management further informed the Committee that are the only ones in the region that supply the quality of the materials recommended. They said that whenever new Judges are appointed they get the standard measurements of their attire and forward them to the supplier who will then forward the quotation to EACJ.

As regards the new tyres, they explained that sometimes it is difficult to get quotations for the same type of tyres in Arusha since EACJ vehicles are similar they use the same quotation obtained earlier for another vehicle if the requisition are within the duration of not more than one month and are unable to get a quotation when tyres are out of stock they wait till such tyres are in stock thus leading to different dates on the quotations.

The Committee noted gross violation of the procurement regulations across the EAC Organs and Institutions. Called for Management to enforce compliance to the procurement procedures in force.

2.20.10 Employees on Short term Contracts

The Audit Commission reported that EACJ appointed three members of staff on short term contracts which were varied from 6 months to 1 year yet there were no rules and regulations in place governing short-term contract employment contrary to regulations, 2006, 22(1&2) and to Regulation 23 (14).

It was also noted that there was no evidence of interviews done on getting the initial contracts and the EACJ incurred costs amounting to USD 30,511 as salaries paid to employees who were appointed on short term contracts.

The Management of the Court attributed Short-term recruitments to the delay in finalizing the Institutional Review and Court has had to use the available interns as short-term staff to bridge the gap on staff recruitment. They expressed optimism that now that the EAC adhoc Service Commission was in place, the Court expects to get the optimum number of staff to fill the vacant positions.

The Committee observed the legality of the contracts for the employees on short term contracts and their payments thereof that could not be justified in the absence of approved rules and guidelines from the staff Rules and Regulations. The Committee further noted that this as persistent problem in most EAC institutions and organs.

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

i) **Direct management of Court to always ensure that *all appointments strictly adhere to the provisions of EAC Staff Rules & Regulations.***

ii) ***Expedite the institutional review such that the short-term positions are filled and phased out.***

2.20.11 Fully depreciated Assets still in use

The Audit Commission reported that, upon review of EACJ Fixed Assets register maintained at EACJ revealed that assets worth **USD 229,166** fully depreciated were still in use as at the time of the audit.

While interacting with the Committee, the management of the Court concurred with the Audit observation and pledged to ensure that the useful assets are regularly reassessed.

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

i) ***direct that EACJ reassesses its PP&E such that the useful assets are assessed annually before they reach zero value and identify those assets which are likely to be fully depreciated while they still have a service potential;***

ii) ***direct Management to establish whether their expectations are significantly different from the previous estimates;***

iii) ***ensure that depreciation charge for the current and future periods is accordingly adjusted.***

iv) ***Ensure that all assets with zero book value should be disclosed as a way of a note indicating their cost, net book values and their physical status.***

PART III

3.0 THE LAKE VICTORIA BASIN COMMISSION (LVBC) SECRETARIAT

3.1 CURRENT YEAR AUDIT FINDINGS

3.1.1 Delayed Funding by Partner States

The Audit Commission reported that LVBC was unable to receive contributions from Partner States during the financial year of 2015/2016. The budgeted contribution was USD 2,766,394.00, and the Commission received a sum of USD 2,163,640.00 resulting in under funding of USD 602,754 (21%) %. Considering the arrears from financial year 2014/2015, the outstanding amount was USD 604,012 as at 30 June 2016.

While appearing before the Committee, the LVBC Management led by Mr. Niyongabo Patrice, the Deputy Executive Secretary concurred with the audit finding and said that the LVBC is engaging Council to solicit for funding. The underfunding has affected the Commission to postpone its statutory meetings and honour its obligations to the service providers. This has resulted into negative publicity of the Institution.

The Committee recommends to the Assembly to urge the Council of Ministers to explore alternative funding mechanisms to raise funding for the Community Institutions.

3.1.2 Lack of Mid-Year and Annual-Results Review Report of 2015/2016

The Audit Commission reported that LVBC did not produce a Mid-Year and Annual Results Review Reports for 2015/2016 despite disclosing in the financial statements the details of operationalization of Results-Based Management Strategy (RBMS) as among the achievements recorded during the financial year under review.

During an interactive meeting with the Committee, the LVBC Management reported that the LVBC prepares Annual and Semi-annual reports for projects, programmes as well as the Finance and Administration which are subsequently considered by the Sectoral Council of Ministers for Lake Victoria Basin (LVB-SECOM) on a Semi-annual and Annual basis. The reports were first subjected to initial review by Regional Policy Steering Committee (RPSC) meetings before they are channelled to the LVB-SECOM. The reports detail the results achieved at mid-year and end year.

The Committee noted lack of Annual Result-Based Report inhibits management from properly assessing the level of achievements as well as the financial resources utilized; outputs/outcomes.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that LVBC enforces a mechanism, which should be an ideally Results-Based Management implementation policy/Manual within the Planning Department to ensure that Mid-Year and Annual Results Review Reports are issued on the due date.

3.1.2 Weaknesses in Assets Management

3.1.3 Lack of regular updating of the fixed Asset Register

The Audit Commission noted that the LVBC maintains a computerized asset's register for all the asset classes. However, the register is not regularly updated as some of the items were disposed but were still in the register such as motor vehicles contrary to para 8.1.4.3 (b) of the EAC Financial procedures Manual 2013.

Appearing before the Committee, the LVBC Management admitted to the audit finding but informed the Committee that as part of the EAC harmonisation project of financial systems, LVBC in conjunction with the Secretariat embarked on the installation of an asset management software and the attendant physical verification exercise and reconciliation were done. The exercise has been completed and the training component is to be finalised. They further reported that the inconsistencies within the asset register have been rectified following completion of the exercise and updated accordingly.

The Committee is concerned that an incomplete assets register may consequently affect the reliability of disclosure of non-current assets under the IPSAS requirement.

The Committee recommends the Council of Ministers to ensure that the Management of the LVBC is advised to timely update its assets register and to conduct periodic reconciliations of the fixed asset register with the general ledger.

3.1.4 Management of Fully Depreciated Assets

The Commission reported that 24 full depreciated assets were still in use and some of those assets were in operation for a time ranging from three to twelve years. The fully depreciated assets were 11 Telecom equipment with cost of $53,552 while 9 were motor vehicles with cost of $493,703 and 4 were marine equipment with cost of $689,882.

The Audit further noted that Management had not performed comprehensive survey of the fully depreciated assets and identified the assets which suffice to be in use and those which do not deserve to be in use due to higher running costs in terms of maintenance, repair and fuel consumption.

The management informed the Committee that due to the funding challenges they are faced with no alternative but to continue using obsolete equipment despite the fact that it reached the depreciating stage. LVBC has contacted Council to procure new equipment for the Commission.

The Committee observed the following;

i) None uplifting of fully depreciated assets may result into inadequate management of those assets.

ii) The Commission does not have a policy on asset evaluation and management.

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

i) ***The LVBC should perform a comprehensive survey to identify active assets which suffice to be in use and define the nominal value of the active assets and estimate the useful life accordingly.***

ii) ***LVBC should develop an asset evaluation and inventory policy so as to have a proper management of assets of the Commission.***

3.1.5 Delayed write-off and disposal of plant, Property and Equipment

The Audit Commission reported that documents from the Board of Survey Report indicated that three motor vehicles were recommended for disposal since financial year 2014/2015 but the vehicles had not been disposed. The pending write off was valued at Ksh 2,050,000 an indicator that even more assets were pending write-off in the current period for instance the spare parts of RV Jumuiya.

The LVBC Management admitted to the audit finding and informed the Committee that the LVBC has engaged a Valuer to carry out valuation of the motor vehicles for disposal to enable it obtain the reserve price that shall give a price indication of the expected income from the disposal. Management further disclosed that, identification and listing of the old spare parts for RV Jumuiya earmarked for disposal was completed mid October 2016.

The Committee observed that extending the lead time for PPE pending write-off and disposal could lead to the Commission incurring additional costs for storage, security and exposes the assets to risks of misappropriation or theft and also the assets may further deteriorate due to tear and wear.

The Committee recommends the Assembly to urge the Council of Ministers to direct the EAC Management to ensure that the LVBC undertakes measures to expedite write-offs and disposals to avoid further wear and tear; and consider other approved disposal methods to expedite the process of disposing spare parts of RV Jumuiya Vessel assets taking into account that, this are specialized assets.

3.1.6 Lack of Monitoring for Fuel Consumption

The Audit Commission reported that LVBC operates 11 motor vehicles that serve 44 staff members of the Commission-wide. The Audit pointed out that LVBC did not have a mechanism in place for monitoring and analysing motor vehicles fuel consumption contrary to Paragraph 8.1.4.3 (g) of the EAC Financial Manual The current practice used by the Commission is to issue fuel imprest to the drivers which are subject to retirement when the imprest is exhausted. Under Financial year 2015/16, LVBC incurred $48,346 for motor vehicle fuel issued as an imprest. The Audit further noted that the LVBC did not have a harmonized fleet management policy resulting into the Commission abandoning the adopted norm for fuel control.

During the meeting with Committee, the LVBC Management admitted to the Audit finding and informed the Committee that it is in the process of developing a *comprehensive* policy for vehicle fleet management.

Committee observed that:

i) The use of imprest for vehicle fleet fuel consumption might expose LVBC into risk of invalid, inaccurate and false data of fuel consumption due to numerous errors that might arise in the records.

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

i) develops a comprehensive policy for vehicle fleet Management;
ii) expedites the initiated process to re activate the fuel card system across all the Partner States.

3.1.7 Weaknesses in Procurement and Contracts Management

3.1.8 Understaffing of the Procurement Unit

The Audit Commission reported that some of procurement activities were undertaken by one staff member from the process of preparation of the procurement plan, preparation of the minutes of the Procurement Committee, documentation of procurement files to all programs and projects. As a result, the Audit Commission noted inadequate filing of tender documents in the tender files and some of the contracts were not indexed with tender and contract numbers. Section 3.3 of the Procurement Policies and Procedures Manual (PPPM) of 2011.

Appearing before the Committee, the LVBC Management reported that the current staffing levels do not allow for appropriate segregation of duties and yet there are additional projects. The reported that they have forwarded request to Council to enhance the staffing levels.

The Committee observes the following;

- Inadequate staffing levels at the LVBC may result into staff fatigue and hence trigger staff low performance resulting to errors of commission and omission.
- Current staffing level at the procurement unit duties cannot be adequately segregated as required by the Financial Policies and Procedures Manual.

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

i) ***The LVBC Management is advised to ensure that all documents relating to the procurement process are filed in the same tender file;***

ii) ***Liaise with to EAC-HQ and consider a comprehensive review of the structure of LVBC such that a Procurement Unit is established at the Commission.***

iii) ***Assign or allocate appropriate staff to the Procurement Unit to mitigate potential risk.***

3.1.9 Incomplete Annual Procurement Plan (APP)

The Audit Commission reported that upon examination of the Contract Register and APP revealed that LVBC did not incorporate the carried over activities from previous year for easy monitoring and evaluation of the tender process. Furthermore, tenders valued at more than Kshs 7,100,000 for electrical and tiling of Nyanza Office was carried over from the previous year were not included in the APP for the year 2015/2016.

While interacting with the Committee, the LVBC Management reported that they generate the Annual Procurement Plan from the Budget Management System based on the Annual Work Plan and the Budget for that specific financial year. LVBC further reported that all procurement activities in the APP were expected to be carried out or implemented within the specific financial year. Any activities that spills over to another financial year and have budget implications are assumed to be another activity in the plan and are therefore provided for in the subsequent budget in order to be captured in the APP.

For this particular activity, the LVBC informed the Committee that it sought and obtained approval for the re allocation of funds from the EAC Finance & Administration Committee meeting which took place in Dar-es-Salaam from 16th to 21st November 2015. The Committee approved Kshs. 7,100,000 for the structured cabling and electrical installation at the new office.

The Committee observed that the exclusion of carried over activities in the Annual Procurement Plan are likely to limit adequate monitoring and tracking of the status of works and payments and will further curtail the Commission from enjoying economies of scale through aggregation of procurements of similar nature.

The Committee recommends to the Assembly to urge the Council of Ministers to direct the *LVBC Management to consider enhancing its review process of APP and ensure that all budgeted activities of procurement nature are incorporated in the APP and Budget Estimates.*

3.1.10 Deficiencies in the management of the contract for Partitioning and remodelling of LVBC Nyanza Office.

The Audit Commission noted that on 26 June 2014 LVBC entered into a contract with M/s Lunao Enterprises to carry out office remodelling, partitioning and interior fit at contract sum of Kshs 20,175,061. The project was to commence on 14th August 2014 and to be completed within 16 weeks. However, the payment delayed and an extension of the Contract had to be sought.

Further review of the project on office partitioning and remodelling revealed a number of deficiencies raised during the execution including stalled works, namely: -

a) Abnormal project extensions and delays;

b) Single sourcing and additional works awardee to non-performing Contractor without performances appraisal on the previous contracted work;

c) Sub-standard workmanship of LVBC office partitioning and remodelling;

d) Over payment by Kshs.2,058,337

The LVBC Management informed the Committee that the delays and subsequent extension of contract caused by the absence of the lift to facilitate transportation of materials up to 12th and 13th floors where the sites for remodelling were located and as such the contractor could not manage to carry the building materials to the 13^{th} and 14^{th} floor. The Management further informed the Committee that they contacted Council and it permitted LVBC to procure the lift. The LVBC also informed the Committee that the existing electrical installation and structural cabling installations had been vandalised and needed to be redone as additional work.

The Committee observed and noted the following anomalies: -

i) glaring laxity, laisser-faire and sheer negligence with regards the use of the EAC resources by the Management of the LVBC;

iii) lack of professionalism as noted by the signing of the initial contract on the assumption that the building already had a lift to facilitate transportation of materials up to 12th and 13th floors;

iv) Delayed office partitioning denied the Commission savings from the rental amount for the 11 months of the extension paid to the Reinsurance Plaza (former landlord) of USD 30,800 (i.e. USD 2,800 per month);

v) LVBC could lose Kshs 2,058,337 being overpayment made to the contractor due to weak contract Management;

vi) The Intended objective was not met timely.

The Committee recommends the Assembly to urge the Council of Ministers to direct the LVBC Management: -

i) ***to institute disciplinary procedures against the specified officers involved in the execution of the Project for negligence of duty and not following the established rules and procedures.***

ii) ***to strengthen and improve the current coordination between the user departments and Procurement Unit to ensure that awarding of subsequent contracts must be based on the evaluation of performance appraisal;***

iii) to establish a pre-audit desk within the finance department to carry out pre-audits before payments are affected;

iv) ***Initiate stringent procedural recovery of Kshs 2,058,337 overpayment* from the contractor and investigate the reasons for payment.**

3.1.11 Questionable payment for staff medical insurance

The Audit Commission reported irregular payments for Staff Medical Insurance, contrary to Regulation 41(4) of the EAC Financial Rules and Regulation.

While appearing before the Committee, the LVBC admitted to the audit finding but informed meeting that the payment was made after the addendum was signed. They stressed that though the payment voucher was initiated on 5th august, the final review and approval were done on 13 August 2015, In addition they reported that there was an email from CTC on the 11th urging LVBC to have the payment done urgently which could not have been sent after payment had been allegedly done. The signing of contract with a service provider is procurement process and does not require approval of the Council

The Committee observed that: -

i) The payment process to the agent was initiated before the addendum was signed.

ii) There was a noticeable difference between the initial contract and the addendum as the initial contract had the Insurance firm company seal whereas that addendum only had a rubber stamp casting doubt on its authenticity.

iii) The addendum had manual alterations on it casting doubt on its validity and legality.

iv) A contract was entered into without approval of the Council of Ministers as required by the regulation.

The Committee recommends to the Assembly to urge the Council of Ministers to strongly reprimand the Management of LVBC and make sure that payments are made to the legally contracted suppliers, comply with a valid agreement and investigate the circumstances of these payments.

3.1.12 Failure to recover USD 8,000 from Lift Contractor as penalty for delay in the installation of a passage lift.

The Audit Commission reviewed the contract for "contract for supply, installation, testing and commissioning of one passenger lift" completed in an addendum signed on 15th

December 2014. The addendum extended lead times until 30 June 2015 and, at the same time, the contractor agreed to indemnify the client (LVBC) for the delay by paying LVBC an amount of USD 8,000, equivalent to two months rental fees. This amount was to be paid to the LVBC account by 16th March 2015. As at the time of the audit in November 2016, LVBC had not received the said amount and there was no recognition of the receivable in the LVBC financial statements.

While meeting the Accounts Committee, LVBC management informed the Committee that the meeting which was held on 21st October 2015, discussed the delay and it was confirmed that it was occasioned by the following factors:

1. The National Government through the office of the Regional Coordinator who were actually the owners of the building delayed in giving clearance to EAC – LVBC through the County Government to install the lift. This was occasioned by the security personnel refusing the contractor to access the site.

2. After clearance was given to the Contractor through the County Government the hours allocated for works were less than that which the contractor had planned. The Regional Coordinator insisted that installation works could only take place between 8.00 am and 5.00 pm and also no work was to be carried out beyond 8.00 pm. This therefore meant that the contractor could only put in an equivalent of 3 hours a day against the planned 14 hrs per day.

3. The Regional Coordinator also instructed the caretaker that EAC-LVBC to separate their electricity meter before the works of installing the lift could start. Electrical power was critical for the successful installation and subsequent running of the lift and were not considered in the initial BQ. This therefore called for initiation of a procurement process to be able to lay fresh cabling for the lift installation and separation of Electricity meter and isolation of the electrical cabling from the National Government. This occasioned further delay for the installation of the lift though the contractor was actually on site ready to work.

Based on the above reasons, the Commission hesitated to recover any amount from the contractor since the delay wasn't occasioned by them. However, due to the contractual obligation, it was agreed with the contractor that this money be recovered from his lift maintenance contract dues.

The failure by management to recover the funds as per the contract resulted into loss of funds for the LVBC.

The Committee recommends the Assembly to urge the Council of Ministers to ensure immediate and prompt adherence to the contractual requirements and ensure that the 8000 USD is fully recovered from the contractor.

3.1.13 Weaknesses in Financial Management

3.1.14 Failure to file for VAT refunds on Qualifying Expenditure

The Audit Commission reported that LVBC did not recover from Kenya Revenue Authority (KRA) VAT the outstanding balance as at 30 June 2016 stood at USD 212,167 an increased by USD 27,777 from the previous year.

The LVBC Management informed the Committee that it has engaged the Chief of Protocol in Ministry of Foreign Affairs and the Kenya Revenue Authority on modalities of obtaining tax exemption.

The Committee observed that the LVBC was losing money in unclaimed refunds on a variety of qualifying expenses.

The Committee recommends the Assembly to urge the Council of Ministers to advise Management to enhance follow up for VAT refund from Kenya Revenue Authority in line with the VAT Bill of 2013 which puts no time limit on the filing of returns. Going forward, management of LVBC is further advised to put in place a mechanism for timely compilation and submission of such claims for tax refunds.

3.1.15 Inadequate Accounting Policies on provision for bad and doubtful debts and on impairment of Assets

The Audit Commission reported that upon review of the criteria used in estimating the provisions/ assets impairment, it noted that there was no criterion used in addressing the impairment of assets to determine the fair value of recoverable amount of the assets. For instance, RV Jumuiya vessel had not been operational for the past three years but there is no provision for impairment provided as aforementioned.

While appearing before the Committee, the LVBC Management conceded to the audit finding and informed the Committee that indeed the Financial Rules and Regulations of 2012 and the accounting policies do not address the provision criteria for bad and doubtful debts that could be invoked on the VAT receivable. They undertook to present a request to the EAC Secretariat so as to have the provision reviewed. As regards the vessel, the Commission has put in place plans to have the asset inspected to obtain a certificate of seaworthy then deployed at the MRCC centre given that negotiations of the Multinational Maritime communication and transport project have been concluded and project operations are expected to commence in 2017.

The Committee observed that the amount in the financial statements presented may not be fairly presented without adequate provisions being made.

The Committee recommends to the Assembly to urge Council to ensure that the Management of LVBC to: -

i) ***Liaises with EAC-HQ to review the Financial Policy and align it with the IPSAS requirements;***

ii) ***Reviews the provision estimate criteria basing on the past experiences and likelihood of serviceability of the item for fair and objective presentation.***

iii) ***Reviews the whole reporting policy document and align it with IPSASs reporting framework.***

3.1.16 Weaknesses in Imprest Management

3.1.17 Delays in retirement of imprest

The Audit Commission reported that reported delays in retirement of imprest contrary to regulation 40 of EAC Finacial Rules and Regulations., Audit Commission further observed cases where the imprest was not retired on time and delays ranged from 6 up to 94 days to amounting to $30,850. In addition, an employee was given additional imprest before accounting for the previous one.

Lack of adequate controls over imprest may increase the risk of misappropriation of LVBC funds. Delay in retirement also may result in misusing the LVBC funds and having excess funds held by staff which may limit the implementation of some the Commission's activities.

Management is advised to ensure that imprest to the employees are cleared within the specified period of five (5) days, and no further imprest should be authorised and issued to any staff member before the previous imprest is accounted for.

3.2 LVWATSAN PROJECT

3.2.1 Weaknesses in Project Management

The Audit Commission reported that on 4th April 2011 the EAC entered in a protocol agreement with the African Development Fund (ADF) to finance Lake Victoria Water Supply and Sanitation Program (LVWATSAN) through the arrangement of Lake Victoria Basin Commission (LVBC) as a regional coordinator of the program. The African Development Fund principally agreed to finance the program by a grant amounting to UA 72.98 million (approx. USD 107.86 million) of which Tanzania was allocated UA 17.48 (approx. USD 25.84 million) while Kenya and Uganda were allocated UA10.39 million (approx. USD 15.36 million) and UA11.13 million (approx. USD 16.45 million) respectively and ultimately Burundi and Rwanda were allocated UA14.13 million (approx. USD 20.88 million) and UA 15.11 million (approx. USD 22.33 million) respectively. In the same arrangement the LVBC was allocated UA4.74 (approx. USD 7 million) for program supervision & monitoring and training and capacity building of the implementing agencies (IA). In taking that responsibility, the EAC on 15th April 2011 entered in subsidiary grant transfer agreement to all beneficiary Member States namely Tanzania; Kenya; Uganda; Burundi; and Rwanda. The Audit Commission found that the program implementation by the implementing agencies faced significant challenges that may have prevented the LVBC from achieving its intended objectives, as follows:

a) Delays in Project Implementation

b) Inadequate supervision and monitoring of LVWATSAN program by LVBC

The Committee made the following observations: -

i) Insufficient supervision and monitoring of implementing agencies activities resulted into lack of assurance of the implemented activities and exposed LVBC to a significant risk of being unable to obtain adequate assurance in the appropriate use of cash transfers made to the implementing agencies and produce the comprehensive progress report to the donor.

ii) During the on-spot assessment activity which was conducted by the East African Community, Members observed that: -

- The water facility was never extended to the intended beneficiaries and some of the water facilities were non-functional and did not have the water supply. When the EALA members visited Kisumu hospital they found that the hospital did not have water supply. This was the case with the communities where the project was located.

- The project equipment was in poor shape, neglected and lying idle.
- Individuals were bottling the water and selling it.

iii) Lack of sustainability measures to ensure that there is continuity.

iv) Delayed implementation of grants programs may result into reduction of donor confidence to offer financial assistance to EAC because the mandated objectives were not met timely.

The Committee recommends the Assembly to urge the Council of Ministers

i. ***Institute and Commission a forensic audit into how the Lake Victoria Water Supply and Sanitation Program (LVWATSAN) project has been managed.***
ii. ***The Management of LVBC as a matter of urgency should strengthen and improve its current annual plan on supervision and monitoring mechanism of the projects on an-ongoing basis;***
iii. ***As a matter priority, the Management should consider establishing an advisory working group to perform an in-depth and comprehensive review of resources needed for supervision and monitoring of IAs for the extended time, ultimately to achieve a more reliable and justifiable budget estimate for the extended program time frame;***
iv. ***As a matter of necessity, the management should liaise with EAC-HQ for fund solicitation for LVWATSAN supervision and monitoring;***
v. ***Management should develop suitability mechanisms and programs to ensure there is project continuity and longevity.***

3.2.2. Project Field visit Report

The Audit Commission reported that between 3rd to 6th November 2016, the Audit Commission physically visited some of the LVWATSAN II projects located in Uganda to verify the operations efficiency, the level of LVBC supervision and monitoring of the programs as well as project sustainability mechanisms. The projects visited were Buwama water and sewage management project and the Mayuge water supply and improvement of public sanitation, all in Uganda.

During the site visits, the Audit noted a number of challenges in respect of management and sustainability of the program's investments and these included; -

i) Insufficient supervision and monitoring.

ii) Underutilization of the projects capacity, the audit noted cases where the capacity of water supply was 4,000 cubic meters while the current utilization was 500 cubic meter and the sewerage system was idle since its inception;

iii) Idle investment of IVECO truck & Power Tiller for sewerage management. The equipment was not in operational a period ranging for 6 to 12 months. The reason provided was lack of capacity in terms of human capital and financial resources;

iv) Unclear demarcation of equipment ownership between the Central Government and the Local Council and lack of branding on the site to indicate the source of funding. When the Committee interacted with the Management of LVBC, it informed the Committee that it endeavoured to undertake the following measures aimed at enhancing the monitoring and effectiveness of the project.

    (i) LVBC h enhanced its monitoring and oversight roles using the meagre available resources.

    (ii) The design capacity provided was for the design period is for the year 2035, implying that the facilities should adequately serve populations of the focal towns up to the design year, and therefore the plant capacity is underutilized due to the lower current population, which is normal;

    (iii) The equipment was idle due to lack of availability of conventional/ official disposal points, which are under construction as Landfill (Solid Waste Management Disposal Point) and Feacal Sludge Treatment Plant. The capacity for operations and maintenance has been built through the Training and Capacity Building (TCB) Component of the program and the staffs are ready for activities. The Local Authority and the Water utility have been sensitized and educated on the need for provision of budgets for Operations and Maintenance (O&M); and.

    (iv) The equipment is owned by the Local Authority as they are meant to serve the local authority, but they are held in trust and managed by the utility, which has the role and responsibility of providing services.

The Committee observed that lack of sustainability of the projects' investments will be at stake as most of them lack contingent plans at the time of program exit.

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

(a) Takes further measures to improve the rate of projects physical visit to ensure that the projects are on track and conduct interventions in case of any project problems;

(b) Liaises with Partner States through EAC so as to find the best way for optimal utilization of the equipment or to make the trade-off where the equipment is needed in exchange with the equipment according to the current capacity of the beneficiaries; and

(c) Considers engaging a consultant to carry out the impact assessment to all projects aimed at improving the surrounding life of society and Community and the result of the study should be utilized for formulating outreach for future Programmes.

3.3 USAID PHE PROJECT

3.3.1 Irregularities in the provision of Communication equipment's for PHE Conference

The Audit Commission reported that, aaccording to Chapter 6.4.1 of the EAC procurement policies and procedures manual 2011, open bidding shall be the preferred method of procurement, however where it is determined that it's not feasible, the EAC may use any other competitive method prescribed therein in order to ensure that the selected type of competition is both economical and efficient that results in EAC obtaining "Value for money"

- Regulation 80 (5) of the Financial Rules and Regulations 2012 stipulates that no services or works shall commence, or goods ordered, until a contractual obligation between LVBC and the supplier has been established by signature of both parties to the contract.

  When the Committee interacted with the Management of LVBC it informed the Committee that the Population Health and Environment (PHE) Conference which was held in Kisumu was of international stature thus the necessity for communication equipment which included the Public-address system, sound systems, cordless microphones, table microphones with provision for translation and other related communication equipment. Management noted that there was a budget provision for the PHE conference and the communication equipment was catered for within the conferencing expense. The venue of the conference was Tom Mboya Labour College, which did not have such facilities and therefore necessitated outsourcing.

- Management further noted that the five bidders who were invited to provide the quotations were on the shortlist of service providers given by Tom Mboya Labour College. It noted that was a standard procurement practice for Government institutions, Intergovernmental or International organizations to share prequalified list of suppliers / service providers with each other. The nature of the procurement was estimated to fit within the rrequest for Quotations method and the requirements were straight forward for a two days conference.

The Committee made the following Observations: -

- This procurement was not included in the annual procurement plan of the Commission for the year 2015-2016 yet this was a statutory meeting which was on the Calendar of LVBC.

- LVBC used the request for quotation for this procurement against the requirement of the procurement regulation which require that all procurements above USD 10,000 shall be by tender.

- The evaluation report of the procurement indicated that the quotations were sent to five service providers. However, it was not clear how the service providers were identified and there was no evidence that the list was approved by the procurement Committee as required by the procurement regulations.

- There was no evidence on the payment documents to indicate that equipment was supplied as requested to support the payment.
- Procurements not included in the annual procurement plan cast doubt on the accuracy of the plan in forecasting the commissions requirements and may result in emergency procurements as well as deployment of budgets while differing the planned activities.

- The Commission may not have received value for money in the procurement of the service.

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

i) ***Management is advised to ensure compliance to procurement requirements and in case of emergency procurement a user request to be documented to justify their decision.***

ii) ***The Management of LVBC should adhere to the procurement guidelines and ensure that future procurements are within the Procurement plan.***

3.4 USAID PREPARED PROJECT

3.4.1 Delayed signing of Implementation letter

The Planning for Resilience in East Africa through Policy, Adaptation, Research and Economic Development (PREPARED) was a medium-term (five year), multi-organization, comprehensive program between the East African Community (EAC) and USAID East Africa (EA). It was funded by USAID EA and implemented by different Partners under coordination of key partners including EAC and Lake Victoria Basin Commission (LVBC) Secretariats; IGAD Climate Prediction and Applications Centre (ICPAC), the Regional Centre for Mapping of Resources for Development (RCMRD), and FEWS NET. It aimed at mainstreaming integrated, multi-sectoral, evidence-based, climate-resilient development planning and program implementation into the EAC and its Partner States' development agendas.

It was noted that although the Donor (USAID EA) signed the project implementation letter on on 11 August 2015, EAC signed the letter on 11 November 2015 two months after the start of the implementation period on 1 September 2015.

The Committee observed the following: -

- Delay in signing project implementation letters resulted into non-implementation or delayed execution of the project's planned activities hence the project goals/objectives were not being attained on a timely manner.

- The project was not able to absorb the available project funds within the stipulated project period.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that the Management of LVBC enhances liaison between EAC, LVBC and USAID in order to ensure timely signing of the implementation letters.

3.4.2 Planned project activities not implemented

The Audit Commission report noted that a review of the budget performance report showed the budgeted activities amounting to USD 66,720 that were not implemented.

The LVBC Management informed the Committee that implementation letter was signed in November 2015; while activities were required to be implemented from July 2016. LVBC further reported that funds were released six months after. The Committee was further informed that the delay of funds caused some activities like awareness building and training workshops, and development of the water policy not to be implemented within the agreed financial year.

The Committee observed that the existence of the unimplemented activities indicates non-achievement of the projects' objectives for the year and implied unrealistic project budget.

The Committee recommends the Assembly to urge the Council of Ministers to devise strategies to ensure activities are implemented as planned and the budget lines are realistic.

3.4.7 Procurements using activity imprest

The Audit Commission noted that the project undertook a number of procurements through activity imprest amounting to $15,975. Audit Commission further reported that, there was no evidence that the services were procured competitively and it was not clear why the procurement were not done through the Procurement Unit of the Commission.

The LVBC Management conceded to the Audit finding and noted that the Procurement of conference facilities were dictated by the nature of the meeting. Management further explained that due to the uniqueness of EAC meetings and requirements of main conference halls and breakaway rooms for Partner States consultations, a hotel that fits the requirements of the specific meeting is usually identified and requested to submit a quotation based on the EAC negotiated conference rates.

The Committee observed that LVBC could not have derived value for money through direct procurement of the goods and services.

The Committee recommends the Assembly to urge Council of Ministers to direct the LVBC Management;

- ***to ensure that all procurements are planned well in advance to identify cases where procurements could be consolidated to derive advantage from economies of scale in procurement of stationeries and printing services.***

- ***to ensure that procurement for conference facilities are done in a competitive manner and payment made directly to the service provider rather than using imprest.***

3.5 STATUS OF IMPLEMENTATION OF PREVIOUS YEARS AUDIT RECOMEMENDATON

The Audit Commission reported that of the 22 audit recommendations issued in June 2015, 14 (64 per cent) were fully implemented, while four (18 per cent) were under implementation, 2 (9 per cent) had been reiterated while two (9 per cent) had not been implemented. The import of this the Commission noted, was that the eight outstanding audit recommendations of 2013/2014, four (50 per cent) had been fully implemented, two (25 per cent) were under implementation, one (12.5 per cent) had been reiterated while one (12.5 per cent) had not been implemented.

Management informed the Committee that they were trying their best to ensure that the audit issues are addressed and in line with the regulations governing the use and management of resources at the Community.

The Committee noted an upward trend in the overall status of implementation of the previous audit recommendations.

The Committee recommends to the Assembly to urge the Council of Ministers to direct the EAC Management to put in more effort and implement the audit recommendations that were not implemented in the previous financial year.

3.6 AUDIT FINDINGS

3.6.1 Weaknesses noted in Activity Budgeting

The Audit Commission informed the meeting that the representatives of Kenya National Cleaner Production Centre participated in the meeting for the whole duration but inadvertently forgot to sign in for some of the days an anomaly they pledged to rectify in future meetings.

The Committee made the following observations:

- The unbudgeted DSA paid to the meeting participants is a weakness in planning of the meetings and inadequate management of the project resources.

- The paid amount for absence days was irregular in case the person did not participate in the meeting. However, the management provided proof that the DSA was paid to the participants.

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

- ***Make a proper planning of the meeting and all expenditure should be comprehensively budgeted for. Daily Subsistence allowance should be paid at the authorized EAC rate;***

- ***The Daily Subsistence allowance should only be paid based on days a participant that has attended the meeting and the Management should ensure that all participants sign the attendance list;***

- ***Management should improve on the coordination of meetings to enhance value for money and address the weaknesses in the initiation, planning and execution of meetings.***

3.6.2 Planned project activities not executed

A review of budget performance report of LVEMP II for the year ended 30 June 2016 revealed unexecuted planned activities amounting to **USD 375,000** were not executed.

The Management of LVBC informed the Committee that the Commission presented the Terms of Reference to the World Bank for clearance in September, 2015. But because of inadequate funds, the Bank made a proposal to source more funds to finance the consultancies among others. Although funds were secured from FAO and DFID, there was a delay in the conclusion of the negotiations.

The Committee observed that the unexecuted planned project activities was an indicator that the project did not attained the objectives for the year and this could have adversely affected the confidence of development partners towards the project.

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

i) ***puts in place strong mechanisms to ensure that the planned activities are executed as scheduled for the attainment of the intended objectives;***

ii) ***endeavor to conclude the consultancies within the current financial year.***

3.6.3 Review of Cleaner Production Centres' Activities

The Audit Commission reported that in implementing cleaner production technology activities of LVEMP II project, a contract dated 13th August, 2010 was signed between LVBC and Kenya Cleaner Production Center to coordinate activities of other cleaner production centers across the Partner States. The Commission noted that the addendum was signed on 1st July 2015 for contract period extension to 31st December 2017.

A review of the above contract revealed the following issues: -

- Lack of annual work plan detailing the activities and expenditure for each Partner State cleaner production center.

- Delays in disbursing operational funds to Kenya National Production Center (KNPC).

- No annual financial report detailing revenue received and expenditure incurred by each cleaner production center rather a summary of performance budget report which did not compare the annual budgeted expenditure with actual expenditure.

The LVBC Management informed the Committee that the delay in the release of the operational funds to CPCs was due to late release of funds from the World Bank which was done in the month of April 2016.

The Committee observed that: -

- Without a detailed work plan and budget, it was difficult LVBC to assess the budget performance of cleaner production centers.

- Delay in disbursing operational fund to cleaner production centers hindered the effective implementation of planned activities.

- Lack of detailed financial reports denied management important information for decision making.

- Lack of evidence proving that the deliverable was achieved serve as an indicator that there were unimplemented activities by Kenya Clean Production Center.

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

- ***Cleaner Production Centers are prepared with detailed Annual Work Plans and budgets which form the basis of transfer of funds from LVBC.***

- ***Cleaner Production Centers should make early request for operation funds and LVBC should equally respond without delay in order to avoid unimplemented annual activities.***

- ***Kenya Cleaner Production Centers should prepare a detailed financial report to fully inform the users of financial information.***

- ***A proper mechanism to evaluate the implementation of project activities should be strengthened in order to achieve all deliverables and outputs.***

3.6.4 Deficiencies noted in Budget Performance Report

The Audit Commission reported that during the reporting period ended 30 June 2016, the project received funds from Development Partners amounting to **USD 2,255,996** including the direct payment made by the development partners to supplier. However, the actual funds received presented in the summary budget performance report amounted to **USD 1,884,950**, making a difference of **USD 371,046**. There was no explanation given for the difference.

- There was a difference of **USD 26,325** between the actual expenditure as per detailed budget performance report by activity and actual expenditure as per summary of budget performance report presented in the financial statements.

- According to detailed budget performance report per activity, the budget expenditure of USD 150,000 for cleaner production technology was spent. However, a review of cleaner production centers expenditure revealed that only **USD 98,900** was transferred to Kenya national production centre. Therefore, an amount of **USD 51,100** was not spent in the year ended 30 June 2016.

The LVBC Management conceded to the audit finding and clarified that there was an anomaly which they would endeavoured to clarify.

The Committee observed that: -

i) owing to the scenario presented above and the differences, presented in the budget performance report was not accurate and misled the users of financial information.

ii) the amount transferred to Kenya Cleaner production 51,000 USD was way above the limited amount. The Committee further observed that there was no proof that the 51,000 USD was used in the following financial year.

The Committee recommends to the Assembly to urge the Council of Ministers to properly align the automated system to make sure that the budget performance report does not require manual adjustment to ensure accuracy of the presented report.

3.6.5 Failure to file for VAT refunds on Qualifying Expenditure

The Audit Commission reported that the LVEMP II did not recover from Kenya Revenue Authority (KRA) VAT outstanding balance amounting to **USD 28,216**.

LVBC Management informed the Committee that it is continuously engaging the Ministry of Foreign Affairs and KRA to assist expedite the settlement of the refunds and a series of meetings have been held with the two offices regarding the refunding process.

Committee Observed that: -

i) the issue of VAT refunds is affecting most Organizations and Institutions of the EAC in the Partner States hence denying the Community the meagre resources they would use to foster integration.

ii) The Commission is further losing money in unclaimed refunds on a variety of expenses.

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

i) Streamlines follow up for VAT refund from Kenya Revenue Authority in line with the VAT Bill of 2013 which puts no time limit on the filing of returns

ii) Puts in place a mechanism for timely compilation and submission of such claims for tax refunds;

iii) Undertakes to engage the Ministry of EAC Affairs to negotiate with Kenya Revenue Authority to have the VAT refunds processed.

3.7 PHYSICAL VERFICATION

3.7.1 Water hyacinths machine not in use

The Audit Commission reported that the Republic of Kenya purchased a water hyacinth machine which was delivered to Kisumu on 12th April, 2016. However, the machine was not yet in use by the time of audit in November 2016. Further, the audit team visited Homa bay pier and noted water hyacinths cover a great part of the lake. For details see photos below.

The LVBC Management informed the Committee that LVBC facilitated and coordinated the development of the Regional Water Hyacinth Surveillance and Management strategy which proposed a mix of manual removal, biological control and mechanical removal methods to control the proliferation of water hyacinth on Lake Victoria.

i) The water hyacinths machine acquired but not in use implies that LVEMP II is not deriving value for money from the purchased machine since it would have facilitated to remove water hyacinths.

ii) The machine is depreciating yet its not being put to use and there no effort being done to save the lake from the water hyacinths that is spreading at an alarming rate currently at 17,000 hectares.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the LVEMP II Management undertakes a closer follow up with the Republic of Kenya to ensure that the machine delivered is put to use and serves the intended purpose.

3.7.2 Kisumu County: KISAT Water Treatment Plant

The Audit Commission reported that the plant has a challenge of disposing off the inorganic substances (oil, fish scales and other remnant from food processing companies neighbouring to the plant) that may cause the plant to break down.

The LVBC Management informed the Committee that the sub-component on rehabilitation and/or construction of wastewater treatment was being carried out according to the project financing agreement and the Project Appraisal Document (PAD) a technical function of the National Project Coordination Team.

The Committee observed that:-

i) The Committee observed that there is a risk of sustainability of the plant without proper disposal of inorganic substances.

ii) The plant may not operate effectively due to electricity interruption and non-trained staff.

The Committee recommends the Assembly to urge the Council of Ministers to direct the Management of LVBC to: -

i) ensure that the plant is equipped with incinerator for proper disposal of inorganic substances, generator as alternative power source and providing trainings to the employees of the plant as to improve its operations.

ii) Initiate together with the Kenya National Coordination Unit remedial actions to mobilize financial investments to addresses the emerging challenges.

3.7.3 Improvement of Sewerage System in Kirinya-Jinja Waste Water Treatment Plant

The Audit Commission reported that LVEMP II funding agreement required LVBC to conduct effective project coordination at regional and national levels and monitor and evaluate the activities as well as share information among Member States Countries.

On 4th November 2016, the audit team visited Kirinya- Jinja Waste Water Treatment plant where improvement works were carried under LVEMPII. The verification intended to confirm the level of LVBC supervision and monitoring of the project by the LVBC. The audit team made the following observations on the project: -

i) Inadequate visit by LVBC as the regional coordinator of the projects.
ii) Delay in project implementation.

The LVBC Management informed the Committee that the LVBC Secretariat undertook monitoring and implementation missions to the project sites in Partner States (for both regional and national level interventions) at least on a semi-annual basis. Furthermore, limitations in budgetary allocation make project coordination, monitoring and supervision difficult.

The Committee observed that the LVBC did not carry out its role of monitoring and evaluating the project which led the project to stagnate although the Management attributed this to the budgetary challenges.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that the Management of LVBC take further measures to improve the rate of projects physical visit to ensure the projects are on track and recommend for interventions in case of any problems.

3.7.4. STATUS OF IMPLEMENTATION OF PREVIOUS AUDIT RECOMMENDATIONS

The Audit Commission reported that the assessment of the status on the implementation of previous audit recommendations revealed that most of previous recommendations were not implemented. **54%** were fully implemented, **8%** were partially implemented while **38%** were not implemented.

The Committee noted good performance but encouraged LVBC to continuously improve the implementation for the better performance of LVBC.

PART IV

4.0 THE INTER UNIVERSITY COUNCIL FOR EAST AFRICA

4.1 CURRENT YEAR AUDIT FINDINGS

4.1.1 Unexplained difference between confirmations obtained from creditors and financial statements figure

The Audit Commission reported that a comparison of confirmation responses from three creditors with credit balance reported in the statement of financial position revealed an unexplained difference of **USD 102,358.76.** Accuracy and completeness of creditors reported in the statement of financial position could not be confirmed.

The Management of IUCEA acknowledged the Audit observations and informed the Committee that Globetrotters and Bunyonyi, travel agents recorded every ticket they issued to IUCEA but IUCEA recorded only tickets that they had consumed. However, the Audit noted that there was a lapse in management of the ticketing but acknowledged that the difference was paid. The IUCEA also carries our reconciliations to ensure that value for money is achieved.

The Committee observed *that the accuracy and completeness of creditors reported in the statements of financial positions cannot be confirmed.*

The Committee recommends to the Assembly to urge the Council of Minister to ensure that the Management of IUCEA reconciles monthly and annually with its suppliers. The unexplained difference should be investigated and agreed upon with the related suppliers.

4.1.2 Long outstanding refundable VAT

The Audit Commission reported that the statement of financial position of IUCEA for the year ended 30 June 2016 included VAT refund totalling USD 226,109. However, the VAT refund comprised USD 242,153.43 that was claimed for refund from URA but only USD 79,552.48 was refunded and USD 162,238.12 was rejected. The reasons for rejection by URA as per rejection notices included payments against non-tax invoices and unverifiable and missing invoices.

The Management of the IUCEA informed the Committee that they were in talks with the Management of Uganda Revenue Authority, and Ministry of Finance to have this matter addressed.

The Committee observed this as a cross-cutting issue is affecting most Institutions, Organs and Agencies across the Partner States.

The Committee recommend the Assembly to urge the Council of Ministers to advise the Management of IUCEA to continue engaging with the Uganda Revenue Authority, and Ministry of Finance to have this matter addressed.

4.1.3 Doubtful Receivables

A review of the statement of financial position (receivables) revealed that receivables from projects totaling **USD 83,997.75** was outstanding for two to five years. It further revealed that most of these receivables were from various projects that have closed their activities more than a year ago.

While appearing before the Committee, the Management of IUCEA acknowledged the audit finding and informed the Committee that VicRes project, was closed May 2015 but one of its activities had not yet wound up at the time of audit and the project still had a balance of 31,702 on account.

The Committee recommends to the Management of IUCEA to recover the above receivables and write off the ones that might not be possible since the projects have closed.

4.1.4 Delay to recover advances from staff

A reviewed of the advances on salary, housing and imprest revealed the following weaknesses:

- Housing advances totaling **USD 6,240** including USD 3,420 from prior year 2014/2015 were not yet recovered as at 30th June 2016.

- Salary advances totaling **USD 16,799** including USD 12,506 from prior year 2014/2015 were not yet recovered as at 30th June 2016.

- Staff imprest totaling **USD 39,212.06** were not yet retired as at 30th June 2016. It is worth noting that USD 39,212.06 includes balances not retired on USD 51,861.36

advanced to staff during the year ended 30 June 2015. Contrary to section 6.5 of IUCEA Financial Procedures Manual and regulation 48 of IUCEA Staff Rules and Regulations.

The Management of IUCEA admitted to the delays in the recovery of the salary advances but informed the Committee that they have since undertaken measures to ensure that the advances given to staff are promptly recovered. The Accountant of IUCEA under whose jurisdiction this function falls, informed the Committee that because of the manpower challenges, they were unable to do adequate reconciliation and recover the outstanding advances; documentary evidence was presented to the Committee as proof that the money was recovered.

The Committee observed: -

i) gross negligence of duty by the Principal Accountant of IUCEA for failing to perform her duties and adhere to regulation 88 the staff rules and regulations of the East African Community.

ii) delay to recover the above funds deprives IUCEA from having funds that would have been utilized in other activities.

iii) delay to recover advances and unretired imprest is not only non-compliance with rules and regulations but also impairs the value for money principle in management of public funds.

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

i. ***complies with its rules and regulations to ensure that advances and imprest are well managed.***

ii. ***The Principal Accountant of IUCEA should be held personally responsible for negligence of duties and failing to recover the advances to staff.***

4.1.5 Imprest Paid to Staff with Outstanding Balance

The Audit Commission reported that some staff were paid imprest while their previous imprest had not been retired; thus, their account balance showed an outstanding balances contrary to the requirement of regulation 48 of IUCEA staff rules and regulations.

The Management of IUCEA admitted to the audit finding and informed the Committee that the staff who were being advanced the funds were undertaking back to back activities in various Partner States and as result could not account for the funds within the 5 days period as stipulated in regulation 40 (3) of the EAC financial rules and regulations.

The management confirmed that it has since recovered all the outstanding balances the implicated staff from their monthly salaries in installments.

The Committee observed that:-

i) Inadequate control over imprest payments and retirements may lead to misuse of IUCEA funds.

ii) Poor management of cash at the Inter University Council of East Africa.

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

i) is advised to adhere to prescribed financial rules and regulations governing IUCEA and EAC.

ii) Institutes disciplinary measures against the Principal accountant for paying imprest to staff while their previous imprest had not yet been retired thus failing to adhere to regulation 48 of IUCEA staff rules and regulations and regulation 40 (3) of the EAC financial rules and regulations.

4.1.5 Avoidable Expenses

The Audit Commission reported that a total of **USD 21,060** was spent on daily subsistence allowances, conference facilities, and accommodation for various meetings held in Entebbe whereas it was possible to hold them at IUCEA Headquarters.

While meeting the Committee, the Management of IUCEA admitted to the Audit finding and informed the meeting that currently, all meetings of less than 15 people are held at IUCEA Secretariat as cost cutting measures and implementation of EAC Secretary General circular on the cost cutting measures of EAC.

The Committee observed that IUCEA could have avoided the expenditures if it had conducted the activities at the IUCEA Secretariat.

The Committee recommends the Assembly to urge the Council of Ministers to direct the management of IUCEA to always exercise prudence and rationality to avoid such unnecessary expenditures in future.

4.1.6 Overpayment of Housing allowance to Ms Winfred Itamba

A review of personnel emolument revealed that Ms Winfred Itamba, the Personal Secretary to the Executive Secretary (grade G5) was receiving housing allowance of USD

570 instead of USD 400 as stipulated in IUCEA Staff Rules and Regulations. According to the management of IUCEA, when IUCEA was restructuring, they could not down grade her housing allowance as stipulated in her contract. However, the downgraded provision was irregularly applied because her salary increased by USD 616.

The Management of IUCEA acknowledged the error that was made in the implementation of the decision of the Executive Committee on the Personal Secretary's emoluments. Management further explained that it decided that her salary should remain on person to holder until the end of her contract on in 4th January 2017. Money was not recovered from Winfred Itamba and she later resigned the job and joined Parliament of Uganda.

The Committee noted that overpayment of USD 4,080 amounts to irregular payment leading to loss of IUCEA funds.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of IUCEA recovers the amount overpaid to Winfred itamba from her gratuity, including the existing interest from the time of the expiry of her contract.

4.1.7 Wasteful expenditures due to costs of double recruitment

The Audit Commission reported that upon review of the recruitment process of ACE II Coordinator and Information and Communication officer, the advertisement, shortlisting and interview were done twice contrary to regulations 19 of IUCEA Staff Rules and Regulations 2014.

On 13th June 2015, IUCEA advertised the position of ACE II project Coordinator and Information and communication Officer. The shortlisting was completed on 2nd July 2015 and interview completed on 14 July 2015. On 29th October 2015, the same positions were re-advertised, the shortlisting was completed on 26 November 2015 and the interview was done and completed on 15th January 2016.

When the Committee interacted with the Management of IUCEA, it acknowledged the double costs on recruitment of the two positions of ACE II Project staff.

Committee Observed that:-

i) The project suffered loss due to the double costs on recruitment.

ii) There was gross negligence of duty and lack of seriousness on the management of IUCEA for not ensuring that all the necessary consultations with the World Bank were undertaken before the advertisements were issued.

The Committee recommends to the Assembly to urge the Council of Ministers to direct the Management of IUCEA to:-

i. ***always make all necessary consultations and refer to the relevant policies and procedures for all recruitments.***

ii. ***instituted disciplinary measures against the Executive Secretary and the Human Resources Officer for flouting the EAC rules and regulations and the money IUCEA incurred refunded by the Executive Secretary and the Human Resources Officer.***

4.1.8 Recruitment without respecting rules and regulations

The Audit Commission reported that regulation 21 of IUCEA Staff Rules and Regulations stipulates that:

1) The Council shall advertise vacant posts in major newspapers of Partner States including use of electronic media.
2) All applications for advertised positions shall be submitted directly to the Council by the applicants either electronically or submit hard copies.
3) Following the advertisement deadline for professional and General staff posts, an equal number of candidates shall be short listed where possible, from each Partner State.
4) Short listing Panels will be established as follows:
    a) D1 and P5 positions by the Governing Board;
    b) P4 to P1 positions by the Planning Finance and Human Resources Committee
    c) G5 to G1 positions-by the Executive Secretary
5) All appointments shall be subject to interview.

While appearing before the Committee, the management of IUCEA acknowledged that the appointment of the shortlisting panel for ACE II Project staff by the Executive Secretary was done in error. However, the recruitments that followed were done differently. They pledged to ensure that in future they would ensure that all ACE II project staff recruitments would follow the procedures as per rules and regulations. Management further informed the Committee that the regional steering Committees oversees the recruitment processes and have been involving them in the recruitment process.

Management noted that in this particular recruitment, the regional steering Committees delayed the process because there was delay in the composing them.

The Committee Observed that:-

i) The Executive Secretary abrogated the recruitment procedures and appointed his own shortlisting panel contrary to regulation 21 of IUCEA Staff Rules and Regulations.

iii) The intent of attracting and retaining staff who meet the highest standards of efficiency, competency and integrity was not considered hence making the entire process a nullity.

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

i. ***Management is advised to comply with rules and regulations whenever recruiting staff to ensure that the fundamental principles of fairness and equity are observed.***

ii. ***Disciplinary proceedings should be instituted on the Executive Secretary and Principal Human Resource Officer for failing to ensure the shortlisting/recruitment exercise as per regulation 21 of IUCEA Staff Rules and Regulations.***

4.1.9 Irregular recruitment and payment of Experts

A review of administrative expenses revealed that during the year under review, IUCEA hired and paid **USD 395,428** to various experts who participated in various activities including evaluation of proposals, site visits and technical and financial evaluation for creation of centers for excellences in universities in East Africa.

The audit noted the following irregularities:

- All experts were recruited using single sourcing instead of using normal IUCEA procurement procedures basing on what was done by ACE I. IUCEA management explained that due to the nature of the activities, the experts needed could not bid like normal consultants. However, audit observed that the process of identifying these experts was contrary to IUCEA rules and regulations.

- In addition, audit noted that IUCEA-ACE II paid the experts daily subsistence allowance of USD 500, the same rate ACE I project pays. However, there is no any documentary evidence of how the daily subsistence allowance of USD 500 was determined.

The Management of IUCEA informed the Committee that the payments for the evaluators honorarium fee of USD500 per day was based on the World Bank rates which IUCEA used in line with the ACE 1 in West Africa. The Management further explained that the World Bank gave them a list of professors who had undertaken similar exercises elsewhere and all the recruitments processes were done on the recommendations of the World Bank West Africa Office.

On the discrepancies' in the ticketing and high tickets which were procured, the management informed the Committee that they were business class tickets and most of the professors were travelling from as far as United States America and Australia among other Countries to South Africa, and most of the confirmations were being confirmed at the last minute hence high cost per ticket.

The Committee observed that transparency, effective competition and value for money principles of procurement were violated.

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

i. ***IUCEA complies with financial and procurement rules and regulations in recruitment of experts and consultants.***

ii. ***IUCEA develops special guidelines and procedures to ensure that future exercises of that nature and magnitude are conducted in line with the IUCEA laid out guidelines.***

iii. ***The Disciplinary measures should be instituted against the Procurement Officer for failing to adhere to the IUCEA Financial Policies and Procedures Manual 2014 Section 7.3 on short-term consultants (experts).***

4.1.10 Delay in Payment of Creditors

The Audit Commission reported that as at 30th June 2016 a total of USD 123,582 accounting for 28 % of the total outstanding amounts related to creditors beyond 90 days. In addition, there were other creditors totaling USD 85,031 which had been long outstanding for more than one year. Contrary to regulation 31 (7) of the IUCEA Financial Rules and Regulations 2014.

When the Committee met the management of IUCEA, it acknowledged the delay in settling its creditors and informed the Committee that it was taking adequate measures to ensure that the creditors were paid.

The Committee observed that the delay in payment of creditors may lead to litigation costs and disruption of IUCEA activities. The presence of long outstanding payables casts doubts to the genuineness of the liability.

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

i. ***Management should endeavor to pay creditors on time.***
ii. ***All long outstanding creditors should be identified, analyzed and paid off.***

4.1.11 Use of wrong procurement Methods

The Audit Commission reported that Chapter 6 of IUCEA Procurement Policies and Procedures Manual 2014, provides the thresholds for procurement methods to be used. However, it was observed that some tenders were awarded using single source method of procurement contrary to procurement regulations.

When the management of IUCEA interacted with the Committee they acknowledged the audit observation and informed the Committee that they are considering streamlining the operations of the procurement department such that all procurements are handled as per the procurement manual in order to enhance compliance, economy, and value for money and transparency principles.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that the management of IUCEA stream line the operations of the procurement department such that all procurements are handled as per the procurement manual in order to enhance compliance and transparency.

As recommended in above the Council should ensure that disciplinary measures are instituted against the Procurement Officer for flouting the procurement procedures of IUCEA.

4.1.12 Insufficiently supported tenders

The Audit Commission reported that its review of the availed procurement report revealed that tenders awarded during the year ended 30/06/2016 amounting to **USD 359,970** were not supported by any verifiable document as required by Section 2.10.1 of

EAC Procurement Policies and Procedures Manual. The missing documents included contracts, evaluation reports, proof of publication etc.

Management further observed that because of the staffing gaps that existed in procurement department at the time, it was difficult to ensure that all the transactions were fully supported with the necessary documents. They noted that the respective documents have since been attached to the respective transactions.

When the Committee interacted with the management they conceded to the audit finding and undertook to ensure that all the tenders in future are adequately supported with the necessary supporting documents as required by regulations.

The Committee observed that in absence of adequate verifiable supporting documents for expenditure incurred, was difficult to establish whether IUCEA complied with the Procurement Rules and Regulations and could neither confirm that IUCEA gained value for money in the related tenders.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that for better management of Council funds, all tenders should be adequately supported by necessary documents. The documents should be chronologically referenced and properly filed for future reference.

4.1.13 Shortfall in funding of IUCEA

The Audit Commission reported that regulation 24 (2) of Financial Rules and Regulations 2014 of IUCEA stipulates that assessments on Partner States shall be based on the principle of equal contributions as stipulated in the Article 134(4) of the EAC Treaty. Audit noted that although efforts have been made to recover outstanding balance from Partner States stood at USD 11,232,711; an equivalent of more than two years' contribution.

When the Committee interacted with the management of the IUCEA, they informed the Committee that reminders were sent on 27th January, 2016, Republic of Rwanda paid its arrears of FY 2014/2015 USD 401,953 in March 2016 and Republic of Kenya fully paid its contribution for FY 2015/2016.

The Executive Secretary informed the meeting that he undertook physical visits to the Republic of Rwanda, Kenya and Burundi in March 2016 which resulted into the Republic of Rwanda and Kenya remitting their balances.

***The Committee observed the following:** -*

- Failure by Member States to promptly remit their annual contributions is likely to negatively affect the IUCEA performance.

- The recoverability of the above amount is impaired as the balance has accumulated over the years.

i. ***The Committee recommends the Assembly to urge the Council of Ministers to ensure that the Management of IUCEA always obtains firm undertakings for funding before a budget is commissioned for any given year.***

ii. ***Whereas the Committee applauds the physical visits by the Executive Director, Management should continue following up and recover all the outstanding amounts from the Partner States.***

4.1.14 Long outstanding Subscription Fees due from Member Universities

The Audit Commission reported that out of a total amount of USD 412,883, only USD 75,945 (that is 18%) was collected during the financial year the outstanding balance remained USD 336,938 contrary to regulation 26(1) of IUCEA Financial Rules and Regulations 2014 and Paragraph (15.4) of the IUCEA Act 2009.

When the Committee interacted with the management of IUCEA, it informed the Committee that it has notified its members that support by IUCEA to participate in IUCEA activities will only be extended to member universities that have fully pay their subscription.

The Executive Secretary informed the Committee that because of their vigilance most Countries have so far paid their subscriptions and they have so far realized 5.5 Million USD which had been in arrears from the Partner States and they are currently engaging the Sectoral Council on Education to explore the possibilities of constructing their own headquarters.

The Committee observes that the non-implementation of the requirement of the Act will result to unrealistic budgeting of the annual contribution from member Universities hence affecting the operations of the IUCEA.

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

i. ***Adequate efforts are made to follow up and recover all the outstanding amounts from the Member Universities.***

ii. ***Remind and caution the defaulting Universities on the provisions of the Act.***

4.1.15 Non-Compliance with NSSF Act

The Audit Commission reported that in the previous the previous financial year, the IUCEA did not comply with NSSF Act by not effecting monthly contributions to NSSF; and neither was a Certificate of Exemption from the Fund availed for verification. In 2012 NSSF Uganda had placed a claim of **USD 3,812,422** as arrears in respect of contributions to NSSF by IUCEA on behalf of its employees. Although IUCEA was advised by EAC Secretariat that EAC Organs and Institutions are not subjected to Social Security in their host Partner States, the matter has not been resolved with NSSF Uganda.

When the Committee interacted with the Management of IUCEA, it informed the Committee that it has its own Social security Fund which is housed in the Insurance Company of East Africa (ICEA). The ICEA provides 3 % interest per annum and the money is remitted to ICEA in dollars but its returns are calculated in shilling hence affecting the profitability of the returns. The Executive Secretary further informed the Committee that, the Act governing the IUCEA provided it with the immunities and other diplomatic immunities and privileges in the Partner States. IUCEA is in the process of procuring a better insurance Company with a better deal as they await the formulation of their own pension scheme.

The management further informed the Committee that a meeting has been organized between the National Social Security Funds, Ministry of Finance, and the Ministry of East African Community Affairs to resolve the issue. NSSF has directed IUCE to put in place pension scheme that is better or like the existing one at the NSSF.

- Failure to abide by the NSSF Act may lead to fines from the Fund.
- The claim may adversely affect the operations of IUCEA in case the matter is not settled and the liability falls due.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that Management should involve East African Community competent organs to ensure that the matter is concluded as the resolution may affect the whole Community.

4.1.16 Delay to solve issue relating to two houses on plot 55-59

The Audit Commission reported that the Inter University Council of East Africa owns two houses on plot 83/85 Prince Charles Drive Kololo - Kampala which were valued at UGX 400,000,000 (Four Hundred Million) in 2003. The houses were not included in the IUCEA fixed assets ledger; instead they were disclosed as contingent liabilities in IUCEA financial statements.

The report noted that there is a dispute involving registered Trustees of Arya Pratindhi Sabha (EA) claiming ownership of IUCEA two houses located on plot 83/85 Prince Charles drive.

In 2000, the registered trustee of Arya Pratinidhi Sabha of East Africa instituted a court proceeding for vacant possession, general damages for trespass, interest and costs because of occupation of land and houses on plot 55-59 Price Charles Drive Kololo .Further to this, in 2009 the Republic of Uganda through the Ministry of Lands, Housing and Urban Development wrote to IUCEA indicating that the two houses belonged to the Government of Uganda and demanded rent payment of UGX 73,500,000 for the period ended September 2009. One of the houses was occupied forcefully by person's claiming to be tenants of the Ministry.

The matter of these houses was referred to the 24th Council of Ministers meeting held on 29th November 2012 in Bujumbura. The Council directed IUCEA and the Government of Uganda to resolve this issue amicably.

When the Committee interacted with the management of IUCEA, they informed the meeting that despite the Government directive that IUCEA takes full possession of the houses, the title deed has never been given to IUCEA.The Executive Director informed the meeting that he has scheduled a meeting with the office of the Attorney General of the Republic of Uganda and the Ministry of East African Community Affairs to discuss the matter. The E.S further informed the meeting that on the 15/ May 2018 a meeting is scheduled between the Council to the Community (CTC), the Permanent Secretary (PS) Ministry of East African Community Affairs to pave way for and enforce a compulsory take officer.

- Delay to resolve the issue prevents IUCEA from enjoying the ownership rights and deriving revenue from the houses.

- The claim by Ms. Arya Pratindhi Sabha (EA) may adversely affect the operations of IUCEA in case the matter is not settled in his favour.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that the matter is urgently and expeditiously concluded.

PART V

5.0 THE LAKE VICTORIA FISHERIES ORGANIZATION (LVFO)

5.1 CURRENT YEAR AUDIT FINDINGS

5.1.1 Non-Alignment of LVFO Financial Rules and Regulations with the East African Treaty

The Audit Commission reported that Articles 134 of the Treaty that established the East African Community (EAC) states that there shall be an Audit Commission whose functions will be to audit the accounts of the Community and its affiliate Organizations.

In addition, Rule 14 of the Financial Rules and Regulations (FRR) of the Lake Victoria Fisheries Organization (LVFO) highlight the appointment of auditors to audit its accounts.

The audit noted that the FRR recognizes the Auditors General of the Partner States to audit its accounts on a rotational basis. Rule 14 also goes further to prescribe the tenure, scope, facilities, and reporting of the external auditor of LVFO to refer to Auditors Generals of Partner States, instead of the Audit Commission. This is attributed to absence of harmonization of the FRR with the Treaty that created the East Africa Community (EAC). When the management of LVFO interacted with the Committee, they informed it that LVFO took measures to harmonize and finalize its manuals including the Financial Rules and Regulations and they are now in place.

The Committee applauds LVFO upon the milestone but urges the management of LVFO to adhere to the financial rules and regulations in order to promote good governance and best practices.

5.1.2 Positions not filled despite recruitment approval

The Audit Commission reported that LVFO staff establishment provides for the position of a Procurement Expert which is also reflected in its organization structure. Additionally, Audit reported that 9th Regular Session of LVFO Council of Ministers held on 29th January 2016 in Nairobi, the Council approved the position of a Procurement Expert. Other vacant positions were reported in the directorates of Aquaculture Management & Development and fish Quality Assurance and Marketing which were yet to be filled by Management.

When the Committee interacted with the Management of the LVFO it informed the Committee that due to the zero-budget increment by Community to all the Institutions and Organs they could not fill the positions. They anticipate to fill the positions once the funds are realised.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the vacancies are filled up without further delay.

5.1.3 Low budget execution

The Audit Commission reported that upon review of the budget performance of LVFO, it noted that the Council approved USD.3,091,097 for the year 2015/2016, but only managed to realize a total of USD.1,244,009 (i.e. about 40% of the budget). Audit noted that this led to a dismal implementation of development programmes (6%), and 70% for total operations. The poor performance was mainly attributed to low remittances from the Partner States and Development Partners.

When the Management of LVFO interacted with the Committee, they informed it that the overall budget performance (38%) was attributed to the non-remittance of funding from the Development Partners through the EAC Secretariat. They said that LVFO is engaging donors for direct funding in addition contributions from the Partner States. They reported that so far Kenya and Tanzania has paid all their arrears and Uganda has paid only up to 33%.

The Organization's effective execution of its mandate is at risk with this very low realization of its budget. Its worthy noting that LVFO is operating in 3 Partner States. (Uganda, Kenya and Tanzania)

The Committee recommends the Assembly to urge the Council of Ministers to advise the LVFO Management to continue following up the unsettled remittances and also consider bringing this matter to the EAC Council of Ministers for further discussion and consideration.

5.1.4 Long outstanding receivables from partner states

The Audit Commission reported that the review of the financial statements revealed that the Organization's receivables for the year stood at USD.1,845,656, the bigger part of which related to contributions by Partner States (i.e. USD.1,749,288).

Audit noted that the trend was worrying as the receivables from Partner States increased from USD.1, 305,705 (30th June 2015) to USD.1, 749,288 during 2015/16 financial year.

When the Committee interacted with the management of LVFO, they informed it that the outstanding receivables were acknowledged by the respective Partner States who have never indicated reluctance to settle the outstanding obligations. Management is continuing to remind the Partner States of their outstanding arrears and will continue to do so.

Low pace of recovering receivables is likely to jeopardize the fulfilment of the Organization's objectives.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the LVFO Management becomes more aggressive in collecting the long outstanding debts.

5.1.5 Delayed banking of unutilized imprest funds

The Audit Commission observed that upon review of the accountability files for various payments revealed that employees of the Organization were given imprest to facilitate various planned activities. Audit further noted that unutilized funds after the completion of the activities, at times took a long time before being re-banked. The time period ranged between 30 days (one month) and above.

When the Committee interacted with the management of LVFO, they informed it that the activity was a one-off to cover the costs for the Council meeting which was held from 25th January to 29th January 2016. They undertook to ensure that such incidences do not reoccur and have been keen on late accountabilities. The delayed banking was caused by staff who travelled by road in the three Partner States and delayed to retire the imprest.

Delays in banking such unutilized funds expose them to a risk of misuse by the concerned staff members.

The Committee recommends to the Assembly to urge the Council of Ministers to direct that the *LVFO management to ensure that imprest issued for various activities is promptly accounted for and that any unutilized balances are promptly re-banked. In*

addition, no new imprest should not be given to any staff before the previous one is fully accounted for.

5.1.6 STATUS ON IMPLEMENTATION OF PREVIOUS YEAR AUDIT RECOMMENDATIONS

The Audit Commission reported that an assessment of the status on the implementation of previous audit recommendations revealed that most of my previous recommendations were not implemented. 60 % of the audit recommendations were fully implemented and the remaining 40% were yet to be implemented. When the Committee interacted with the management of LVFO it informed it that financial and manpower challenges affect the implementation of the previous audit recommendations.

Non-implementation of audit recommendations implies that the weaknesses noted are not addressed, which may negatively affect LVFO's ability to effectively carry out its activities and operations.

The Committee recommends the Assembly to urge the Council of Ministers to direct the Management of LVFO to take adequate actions that will ensure that audit recommendations are promptly implemented and followed up.

PART VI

6.0 CIVIL AVIATION SAFETY AND SECURITY AGENCY (CASSOA)

6.1 CURRENT YEAR AUDIT FINDINGS

6.1.2 VAT Recoverable USD 49,690

The Audit Commission reported that article 4(4) of the EAC CASSOA headquarters agreement between the East African Community and the Republic of Uganda, the Agency, its property, assets, income and transactions shall be exempt from all direct taxation including value added tax and from customs duties and prohibitions, restrictions on imports by the Agency for its official use.

Audit noted that the Republic of Uganda had not issued the agency with a tax exemption, therefore the agency has had to pays VAT on taxable goods and services and subsequently claims the VAT refund from Uganda Revenue Authority.

When the Committee interacted with the management of CASSOA, it reported that the Agency is complying with the requirements to submit monthly diplomatic VAT claims to Uganda Revenue Authority and is engaging Uganda revenue Authority to ensure that VAT is refunded by Uganda revenue Authority

The Committee observed that;

i. Failure to recover VAT contravenes EAC Headquarters Agreement with the Republic of Uganda and the Rules and Regulations of EAC-CASSOA and may affect implementation of Agency programs.

ii. EAC-CASSOA may not be able to recover the whole amount of tax paid and hence, a loss to the Agency.

The Committee recommends to the Assembly to urge the Council of Ministers to engage the Minister of Finance, Planning and Economic Development and the Commissioner General to ensure that the issue of the VAT recoverable is addressed.

6.1.3 Low absorption rate of budget-Budget performance

The Audit Commission reported that during the financial year 2015/16 the agency had an approved budget of $ 2,163,428 with actual income of 1,868,520. It stated that out of received revenue, USD 1,868,520 only 1,385,618 were spent equivalent to 74 per cent. Subsequently there were scaling down of the development partner funding through the EAC Partnership Fund from US $ 373,925 to $ 197,700.

When the Committee interacted with the Management of CASSOA it concurred with the Audit finding and reported that it has recruited additional staff to enable the Agency achieve the objectives of the annual plan of Activities within the allocated budget for the FY2016/2017.The agency further reported that it has brought on board 3 technical staff and this has increased the budget absorption to 68%.

Failure to fully absorb the budgeted funds may have an impact on the implementation of some of the planned activities hence the agency may not achieve its objectives as planned.

The Committee recommends the Assembly to urge the Council of Ministers establish a sustainable funding mechanism for the agency.

6.1.4 Lack of segregation of duties

The Audit Commission reported that the Financial Rules and Regulations of CASSOA of August 2014, Regulation 31 (2) (a) , requires the Executive Director to maintain a system of internal controls which shall provide for an effective review of financial management and operational transactions in order to ensure the proper receipting, recording, custody and disposal of funds and other financial resources of the Agency.

Regulation 20(1) of the Staff rules and Regulations requires that consideration in the appointment of staff shall be the need to secure the highest standards of efficiency, technical competence, professionalism and integrity.

A review of the operational environment of the entity revealed that there is no segregation of roles and duties in the Accounts department as the Accountant received cash, did the banking, made records in the accounts and prepared the bank reconciliation statements.

Furthermore, it was also noted that the principal of specialization and division of labor had also been violated by assigning the Principal Human Resource and Administration Officer to perform procurement functions.
When the Management of the agency interacted with the Committee, it informed the meeting that CASSOA is in the process of reviewing the organizational structure to provide for the positions of the Procurement Officer and the Accounts Assistant. CASSOA further reported that during that period the management was using the Procurement Officer of the Civil Aviation Authority when ever need arose.

The management further reported that due to the funding gaps at the agency it has been difficult to recruit the necessary staff but it has since recruited Principal Human Resources Officer, an Accounts Assistant, and Procurement Officer to address the issues of segregation of duties.

The Committee made the following observations;

i. Lack of segregation of duties in the Accounts department is likely to cause errors and frauds which would be easily detected if the necessary personnel were in service.

ii. Furthermore, Allowing the Principal Human Resource and Administration officer to perform procurement functions may lead to compromise of quality of goods and services purchased and the failure of the entity to realize value for money from its procurement processes.

The Committee recommends to the Assembly to urge the Council of Ministers to direct the CASSOA Management to ensure that: -

i) ***The separation of duties in the Accounts department is improved by the creation of an extra position of a cashier who should carry out the tasks of receiving cash, issuing receipts for cash received and banked as well, the Accountant should be left to make entries in the records and prepare bank reconciliation statements. The Senior Accountant should then perform supervisory roles and review the work of the two officials.***

ii) ***The Procurement function is enhanced and adequately staffed to ensure that it handles all the procurements of the entity in order secure the highest standards of efficiency, technical competence, professionalism and integrity as required by Staff regulations and rules.***

6.1.5 Absence of Internal Audit Unit within CASSOA

The Audit Commission reported that during the year under review the Agency had recruited four staff in the position of Deputy Executive Director Technical, Manager Airworthiness, Senior Information Technology Officer and Aviation Security Officer. However; the recruitment of staff under the key function in the Governance arrangement like Internal Audit has remained vacant since the establishment of the Agency in 2007 despites of several recommendations from the Audit Commission. This was contrary to regulation 110 and 113 of CASSOA Financial Rules and Regulations (2013).

When the management of CASSOA interacted with the Committee, they informed it that the management has presented to the Board of Directors the job description for the position of Internal Auditor for approval. This was followed by making budgetary provisions for recruitment of the Internal Auditor in the FY2017/2018 budget estimates.

CASSOA confirmed and provided documentary proof that the positions of internal auditor has since been filled.

The Committee observes that although the agency has recruited the necessary personnel lack of checks and balances from the internal audit unit might lead the agency to be vulnerable to inefficiencies in its operations.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Agency continues to strengthen the Internal Audit function to enable it accomplish its objectives through systematic and disciplined approach to evaluate the risk management processes and governance arrangement.

6.1.6 Outstanding Contribution USD 40,383.25

The Audit Commission reported that regulation 23 (4) of CASSOA requires that contributions from Member States be considered due on 1st July of each financial year and the first instalment shall be paid within the first three months and the second by January of the financial year.

It noted that, for the financial year 2015/16, CASSOA budgeted $ 1,848,424 as contribution from Partner States. However, the agency hadn't received contributions from Partner States of $ 1,767,657. Audit further revealed that contrary to the regulations requirement, the Burundi Civil Aviation Authority had not fully paid its contribution to the tune of USD 40,383.25 at the time of audit in October 2016.

When the Management of CASSOA interacted with the Committee, they informed it that underfunding and late remittances of funds from the Partner States is a very big challenge the agency is facing. However, they reported that the Republic of Burundi has made a request to the Board to write off the balance of US$40,383.25 owed to date and further for the reduction of their current year's contribution to 70%. They reported that, the Agency has no mandate to write off any outstanding Partner States contributions and the matter has been referred to the Council.

i. Insufficient remittance of contributions limits CASSOA to fully implement its activities and programs in an efficient and effective manner.

ii. Insufficient funding and late contributions from Partner States is a very big challenge affecting the Institutions, Organs and agencies of the East African Community. There is need for Council to fast tracks the proposals to implement the alternative funding mechanisms of the Community.

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

i) Continue to liaise with the Partner State to recover the outstanding balance.

ii) Engages the Council of Ministers to ensure that the outstanding contribution USD 40,383.25 owed to CASSOA from the Republic of Burundi is cleared.

6.1.7 Absence of Resources Mobilization strategy as a Funding Mechanism

The Audit Commission reported that the Civil Aviation Safety and Security Oversight Agency (CASSOA) is an autonomous self-accounting institution of the Community was established, through the signing of the EAC CASSOA Protocol during the 5th Extraordinary Summit of EAC Heads of State held in Kampala, Uganda on 18th June 2007.

The report further pointed out that since its operationalization's started in 2007, the primary funding of CASSOA has been from the Partner States Civil Aviation Authority and the supplementary contribution from donors through EAC Partnership Fund, and the EU Funded Regional Integrated Support Program (RISP).

Audit noted that since its start, the agency had never been engaged in preparation of the resources mobilizations strategy or action plan to boost the sources of revenues or enhance its sustainable funding sources. The report further revealed that, the contribution from development partners are very low estimated at 1% of CASSOA budget, and this is attributed to the absence of resources mobilization strategy.

When the Management of the CASSOA interacted with the Committee, it reported that because of the insufficiency of the current funding mechanism and as part of the implementation of the 2nd Strategic Plan, CASSOA planned activities towards identification of a sustainable funding mechanism beginning FY2017/2018.

The agency further reported that it has as part of the resource mobilisation strategy, organised the 4th EAC aviation symposium to attract funding to the agency. They have also developed a joint mobilization manual which they envisage to be complete by next year 2019. The agency is also working on increasing its visibility in the region.

The agency further reported that they held meeting with donors in Nairobi where they were able to raise more than 98,000 USD. They have contacted other donors like GIZ, AIRBUS, AIRSEA, to raise the funding of agency.

Whereas the Committee appreciated the strategy and attempts the agency has put in place to mobilise resources for the agency, the Committee observes that in the absence of the resources mobilization strategy or technical proposal to attract donors; the Agency could not explore more avenues for revenues eventually there might be going concern problem in the event that the Partner States fail to contribute or if their contribution is lowering. In absence of the mobilization strategy, the funding sustainability is jeopardized.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the agency puts in place a robust resource mobilization strategy to attract funding.

6.1.8 Planned activities not implemented

The Audit Commission reported that according to Article 9 section 2 (c), the Secretariat of the agency is required to prepare and seek for the approval of the Board, an annual program of activities and budget for the Agency, at least six months before the end of the financial year.

When the Audit reviewed the annual plan of activities and budget of the fourth quarter performance reports sent to the Board of Director, it noted that, out of 20 planned activities that were to be implemented during the year 2015/16, the agency had implemented only 12 activities leaving 8 activities unimplemented, equivalent to 40 per cent.

When the Management of CASSOA interacted with the Committee, it concurred with the Audit finding and reported that due limited resources, the agency was unable to implement all the planned activities.

Unimplemented activities resulted into non-achievement of the agency sets target and objectives as per its annual activities plan.

The Committee recommends to the Assembly to urge Council of Ministers to ensure that CASSOA should plan for program activities that are manageable within the context of available resources and avoid setting over ambitious targets.

6.1.9 Annual Activities Plan and Performance Reports Preparation

The Audit Commission reported that the Result Based Management concept encourages the preparation of Activity plans and performance reports that clearly indicate the Key Performance Indicators (KPIs) which are SMART and shows the status before implementation of the activities/projects and Targets and shows the results to be achieved after project implementation.

Audit noted that when it reviewed the annual plan of activities and performance reports of the Agency, it noted areas where improvement was needed as follows;

- The annual plan does not show the baseline for its activities.
- Some of the Key performance Indicators were not SMART hence difficult to reliably measure the set targeted performance.

- Most of the targets for the results to be achieved were not clearly stated

When the Committee interacted with the management of CASSOA, it conceded to the audit finding and informed the meeting that they have undertaken steps to improve on areas which were observed in the audit report and to continuously make improvements.

They further informed the Committee that the EAC has developed a performance indicator criterion which has been uploaded in the CASSOA system to enhance on their performance.

The Committee observed that modern day management and good governance trends expect organisations to enhance and measure their performance.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the agency intensifies efforts to further improve on preparation of the annual activity plans and its performance reports so that it includes the base line, SMART KPIs and clear target for its activities to be undertaken which are SMART for its activities.

6.1.10 Non-attendance of CASSOA Chair of Board to EALA Accounts Committee meetings

The Audit Commission reported that under the Corporate Governance arrangement Best Practice, the Chairman of the Board or its designate together with the Director General or Executive Director and his delegation has to attend the Public Accounts Committee (PAC) meetings during the discussion of its entity audited report.

Audit noted that the review of the Corporate Governance and oversight arrangement of CASSOA revealed that, the Chairman of the Agency or its designated had never attended the Accounts Committee Meetings since the start of CASSOA.

When the Committee interacted with the management of CASSOA, it concurred with the Audit finding and informed the Committee that during the 12th extra ordinary board meeting, the board was briefed about the Audit finding but had taken a decision to the effect that whenever they are meetings in the different Partner States a particular board member from that Country attends the meetings in order to mitigate the costs.

Although the Committee commends CASSOA for the attendance of Eng. Chris Njenga the Board Member from the Republic of Kenya, the Committee recommends that the Board Chairman or its designated should continuously attend the EALA Accounts Committee meetings during the discussion of the agency audit reports, so that they can own the resolutions and recommendations of the Accounts Committee.

6.1.11 Funds not Accounted for

The Audit Commission reported that regulation 41(6)(b) of CASSOA requires the Senior Accountant to ensure that all payments made have supporting documents that are appropriate and complete showing the payment was due.

Audit noted that CASSOA spent United States dollars 16,000 from its dollar account and UGX 5,100,000 from its shilling account contrary to the above provision, the said amounts had not been accounted and acknowledgment receipts had been attached.

Audit opinioned that the likely cause of the anomaly could be failure by responsible officials to ensure acknowledgment receipts were picked from beneficiaries and attached on to the respective expenditure vouchers.

When the Committee interacted with the management of CASSOA, they noted that at the time of Audit, the follow up with the suppliers had not been appropriately done. They informed the meeting that the receipts have since been attached and the other supplier (5,000,000) five million Uganda shillings is no longer operating and is out of business.

The Committee observed that the amount was paid for activities that didn't occur hence a loss was incurred.

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

- ***i) CASSOA abides to the EAC financial rules and regulations regarding the accounting for funds;***
- ***ii) The Senior Accountant of CASSOA should refund the 5 million Uganda Shillings which was not accounted for with the interest accrual to-date.***

6.1.12 Non-Maintenance of Stores supplies records

The Audit Commission reported that regulation 95(2) requires the Principal Human resource and Administration officer to maintain complete and accurate records of property, plant, equipment and stores supplies of the entity including receipts, issues and disposals.

When the Committee interacted with the management of CASSOA it informed it that previously due to the small number of individual stationery items, lack of staff to handle the stores function and inadequate office space available to house a store, stationery was procured as and when required and expensed immediately. However, the amounts procured were managed in the office of the Office Management Assistant and records on receipts and issues were kept.

Management informed the meeting that the agency is in the process of establishing a stores function with the assistance of the Civil Aviation Authority and a new documentation system is in use for verification. CASSOA further informed the meeting that the functionality of the stores is part of the SAN system management and it has taken the concern taken seriously.

The implication of this anomaly is that errors in the records could have occurred hence compromise control of store supplies.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the management keeps proper stores records in line with regulation 92 of the EAC financial rules and regulation in order to ensure that this issue is addressed.

6.1.12 Lack of Documentation for repair and maintenance Works

The Audit Commission reported that CASSOA spent UGX 26,798,272 on the repair of its drive way and external drainage without any agreement and procurement contrary to regulation 52(c) of the financial rules and regulations.

When the Management of CASSOA interacted with the Committee, it informed the meeting that all the documentations of the driveway were attached to the payment voucher including the Purchase Order which is considered as a legally binding contract between the issuer and the receiver. Once a supplier accepts a Purchase Order it becomes binding and the latter has to abide by it together with the request for Quotations and the submitted bid. The Agency undertook to develop specific contracts for maintenance works to be used for future purposes.

i. The Committee observed that there were a number of important procedures and documents missing in the procurement processes such as competitive bidding and there was no procurement file to support the transaction.

ii. The implication of the said anomaly is that CASSOA could have easily payed for substandard works and might not have any legal redress to resort to as a quotation is not a legally binding document.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that the contract agreements are drawn for maintenance works and procurement files are maintained to keep all the necessary communication regarding these works in accordance with the EAC rules and regulations.

PART VII

7.0 THE EAST AFRICAN KISWAHILI COMMISSION

7.1 AUDIT FINDINGS

7.1.1 Lack of Strategic Plan for EAKC

The Audit Commission noted that EAKC did not have a Strategic Plan since inception on 13th September 2008 and operationalized in July 2015. The Audit was not provided an annual work plan and were unable to determine whether the activities in the work plan were directed toward the achievement of the objectives and functions of the Kiswahili Commission as set out in the protocol on the establishment of the EAKC.

When the Committee interacted with the management of the Kiswahili Commission, it reported that the Commission developed its first Five Year Strategic Plan (2016/7 – 2021/2) through collaboration and consultation with stakeholders from all the Partner States and is now in place and is both in English and in Kiswahili. And it was launched by the Vice President of the United Republic of Tanzania

Without a strategic plan it may be difficult to measure how the activities of the EAKC are geared towards the achievement of its objectives as set out in the protocol.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that EAKC endeavours to work towards the objectives of the Commission as spelt out in the strategic plan.

7.1.2 Understaffing of the EAKC

The Audit Commission reported that Article 17 of the protocol establishing the EAKC provides for Executive Secretary to be assisted by two deputy secretaries appointed by the Council and such other officers and staff of the Commission as may be determined by the sectorial council.

Audit noted that EAKC was understaffed with only four positions filed i.e. Executive Secretary, Principal Accountant, Senior Human Resources Officer and a driver.

When the Committee interacted with the management of the EAKC, it reported that the problem still persists but Council approved the recruitment of two Principal Officers and the Deputy Executive Secretary. The positions have to await the formalization of the recruitment process by the ad hoc Service Commission of the East African Community.

The Committee observed that: -

i) ***A lean structure at EAKC may not sufficiently deliver on its mandate.***

i. ***The understaffing will contribute to the deficiencies in procedures and controls in EAKC.***

The Committee recommends to the Assembly to urge the Council of Ministers to ensure recruitment and filling of the vacant positions to enable the Commission efficiently and effectively deliver on its functions.

7.1.3 Under-absorption of budget by EAKC

The audit Commission reported that the Commission budgeted to spend a total of USD 1,475,099 in the period under review; however, by the close of the period, USD 870,604 equivalent to 41% of the total budget had only been spent. Audit noted that failure to implement activities according to plan could lead to inability to achieve the objectives of the Commission in a timely manner.

When the management of the Commission interacted with the Committee they acknowledged the audit finding and reported that the Commission budgeted to spend a total of USD 1,475,099 in the period under review but USD 870,604 or 41% of the total budget was spend instead. They attributed the under expenditure to the fact that while it was anticipated that the Commission would recruit staff in the financial year 2014/2015, but recruitment was undertaken in 2015/2016 hence funds budgeted for staff emoluments, administrative expenses and even part of the development budget for that part of the year was not used.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that approved budget is realistic and can adequately be implemented.

7.1.4 Delayed Contribution from the Partner States

The Audit Commission reported that regulation 24 (4) of EAC Financial Rules and Regulations 2012 stipulates that the contribution by Partner States shall be considered due on 1st of July of each financial year and shall be paid within the first six months of the financial year. Audit Commission noted that as at 30th June 2016 a total of USD 241,625 was outstanding form the Partner States.

This is a general observation that is affecting all the Institutions and Organs of the Community.

i. ***Failure by Partner States to promptly remit their annual contributions may negatively affect the Commission's performance in as far as fulfilling its mandate is concerned.***

ii. ***Management is advised to make follow up and to recover the outstanding amounts from the Partner States in liaison with EAC secretariat.***

7.1.5 Irregularities in the Procurement of Works on the Renovation of East African Kiswahili Commission Headquarters USD 99,821.

The Audit Commission reported that EAKC entered into a contract with M/s Quality Building Contractors Ltd for the renovation of the headquarters in Zanzibar on 30th June 2016. The contract sum was USD 99,821 inclusive of 18 % VAT. The Audit Commission noted the following anomalies;

Use of the wrong procurement method for the works

Regulation 68 (1) of the EAC Financial Rules and Regulations 2012, provides that where the estimated value of procurement is USD 50,000 or higher, a call for bids shall be advertised on the website of the Community and at least one newspaper with wide circulation in each of the Partner States. While regulation 68(7) provides the thresholds choice of procurement as detailed below;

a)	Open bidding	above USD 50,000
b)	Restrictive bidding	USD 10,000 to USD 49,999
c)	Request for quotations	USD 1,000 to USD 9,999
d)	Micro – Procurements	Below USD 1000

The Audit noted that contrary to the requirement of the above regulation EAKC used restrictive bidding instead of open bidding for the contract for the renovation of building at a sum of USD 99,821.

When the Committee interacted with the management of the EAKC, it informed the Committee that the office block which was given to the Commission by the revolutionary Government of Zanzibar was not in good condition and lacked the basic amenities such as running water, electricity, sanitary facilities, fence, cooling system, etc.

The Commission requested for a Supplementary Budget to improve on the hospitality of the premises. In February 2016, the 33rd Council adopted a Supplementary Budget amounting to USD 85,000 for the renovation of the EAKC Offices in Zanzibar. With this Council decision, and the Headquarters Agreement having been signed in December 2015, the Commission relocated to Zanzibar in March, 2016. On 1st April, 2016, and preparation of the impending renovation works, the Commission wrote to the EAC Secretariat asking for a list of service providers. The Commission was informed that the list was being updated and would be available when ready.

The Supplementary Budget was adopted for renovations by the Council in February 2016 and appropriated by EALA on the 24th of May, 2016. The EAC Financial Rules and Regulations (2012) provide that no contract with financial implication shall be entered into beyond the 30th of June of every Financial Year.

The Committee was informed that the Commission sought advice from the EAC Secretariat on the best way to handle the matter. This meant that the Commission would not use the open bidding in view of the time constraint. In the circumstances, the Secretariat advised the Commission to consider using prequalified registered contractors in the Ministry of Works in Dar-es-Salaam. It was on this basis that the Commission wrote to Zanzibar State House for the list of prequalified registered contractors.

The Committee made the following observations;

i. Non-compliance with procurement procedures in force may have denied EAC the benefit of purchasing goods and services of high quality at prices that are competitive. This undermines the fundamental principles of transparency, efficiency, economy and fairness in the management of Commission's funds.

ii. The Commission risks paying for substandard and poor-quality works with no value for money attained.

iii. The Committee was satisfied with the explanation given by the Executive Secretary of the Kiswahili Commission, and during the on-spot assessment activity of Assembly some members of the Committee testified the good and habitable ambiance the EAKC offices.

The Committee recommends the Assembly to urge the Council of Ministers to direct Management to ensure that all procurements are handled as per the procurement manual in order to enhance compliance and transparency.

7.1.6 Inadequate time allowed between the award of a tender and the signing of the contract

The Audit Commission noted that Section 9.5.3 of the EAC Procurement Policies and Procedures Manual 2011 stipulates that for every contract worth USD 50,000 and above there shall be a holding period of 14 days for the approval by the selected Procurement Committee or head of the appropriate EAC Organ or Institution. Audit noted that the tender was done in a rush since it was opened, evaluated and contact signed within two days against the above requirement.

When the Committee interacted with the Management of the EAKC, it informed the Committee that there was not enough time for a holding period of 14 days before signing of the renovation Contract and failure to sign it would mean that the money would be returned to the reserve account of the EAC.

The Committee observed that although the EAKC was in the process of setting up its offices and had inadequate staff at the Commission offices in Zanzibar, inadequate holding time may result to unscrutinised contracts being signed and this might not allow time for complaints resolution from other bidders who participated in the tender.

The Committee recommends the Assembly to urge the Council of Ministers to direct the Management of EAKC to adhere to the provisions in the EAC Procurement Policies and Procedures Manual 2011 in order to adequately scrutinize contracts and enhance transparency in the procurement process.

7.1.7 Single sourcing of Air ticketing Services

The Audit Commission noted that EAC Procurement Policies and Manual 2011 requires all procurement activities of EAC to be carried out in a manner that maximizes competition. Audit noted that EAKC procured air travel services from M/s Star Link Travel without evidence of competition as provided by the regulations and the Commission did not have a service agreement with the supplier. A total USD 26,667 was paid to the supplier during the year.

When the management of EAKC interacted with the Committee, they informed it that the Commission commenced its operations at the EAC Secretariat in Arusha and like other EAC Institutions and Organs, the Commission had to attend meetings that entailed traveling. The Commission approached EAC Travel agencies to supply tickets to its staff. They reported that while two travel agents were willing to supply the tickets, requests for immediate payment made it difficult for the Commission to honour its obligations. The agencies insisted for upfront payment because their contracts were with the EAC Secretariat and not Kiswahili Commission, which is semiautonomous. The Commission's requests were not acceptable to the Travel agencies who insisted that the Commission had to have an account with them. This not only inconvenienced Commission staff travels, but also raised the question of prequalification. The Commission had to devise alternative arrangements while ensuring value for money. The Commission has prequalified for suppliers from across the EAC Partner States, among them Travel Agents.

The Committee observed that the EAKC may not be receiving value for money through the single sourcing of services.

The Committee observed that although the EAKC was in the process of setting up its offices and had inadequate staff at the Commission offices in Zanzibar, Management is advised to ensure that in future, it prequalifies its suppliers to ensure that services are sourced competitively.

7.1.8 Lack of Segregation of duties under Cash and Bank Management

The Audit Commission reported that at the time of Audit exercise cash and bank functions in EAKC were not properly segregated and the Principal Accountant was involved in all cash and bank transactions including; preparing the payment vouchers, writing the cheques, signing cheques, performing bank reconciliations and posting transactions in the general ledger. Although the bank reconciliations were being checked by the Executive Secretary such controls were not sufficient.

When the Management of the Commission interacted with the Committee they acknowledged the audit finding and noted that at the time of the Audit the Commission had just opened its offices in Zanzibar and were facing manpower challenges an Accounts Assistant has since been recruited.

The Commission further informed the Committee that they raised this concern with the Council and an approval was granted to recruit an Accounts Assistant.

The Commission informed the Committee they now have total of 7 staff members with an Account Assistant and the Council has approved the 2 positions which are going to be filled soon. Lack of segregation of duties under cash and bank implies there is no counter checking and errors could pass undetected.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the management of EAKC liaises with the Council to recruit another accounting and procurement staff to enhance segregation of duty.

7.1.9 Possible fraudulent transactions of USD 38,000 in EAKC Bank account

The Audit Commission reported that a review of the bank reconciliation and bank statement of EAKC KCB USD Account 33301189237 showed two payments amounting to USD 38,000 were not posted in the cashbook and did not have supporting document as shown below;

Date	Details in the bank statement	Amount (USD)
02 March 2016	Chq encashment CHQ 22 Shamira R. Masika at TZZNZ	6,000
11 March 2016	Transfer at LUMTZ4616 Tranfer TPDC FT16071343H	32,000
		38,000

When the Audit Commission enquired from EAKC accountant on the transaction it was informed that the transaction was passed by the bank but were not initiated from EAKC when EACKC made follow up with the bank, a refund of USD 32,000 was made within the year under review. Although the bank refunded the USD 38,000 after a month there was no evidence that the Commission sought for the interest for the one-month period.

The Committee interacted with the Executive Secretary of the East African Kiswahili Commission Professor Keneth Inyani Simala and he informed the Committee that the East African Kiswahili Commission operates an account with KCB (T) Ltd at Stone Town Branch, Zanzibar, in the United Republic of Tanzania. He gave the Committee a sequence of events that led to the discovery of the fraudulent transaction of the 38,000 USD at the EAKC and they include the following;

a) On two occasions, there were two irregular fund transfers made by the bank as hereunder:
    i) A withdrawal of $ 6,000.00 on 10/03/2016 under the description "Chq Encashmt CHQ000022 SHAMIRA R MASIKA AT-TZZN

ii) A withdrawal of $ 32,000.00 on 11/03/2016 under the description AT-LUMTZ4614 TRANSFER TPDC FT16071343H.

b) While these irregular transfers were made in March, 2016 and were noted by the Principal Accountant at the end of that month, they had been recorded in the bank reconciliation statement as a reconciling item. As the Accounting Officer, he came to know of the matter in June, 2016. The Commission had relocated to Zanzibar in March, 2016 and this, coupled with the absence of Sun Systems, delayed in detecting the anomaly.

c) He said that on 12th May, 2016 the bank partly corrected the transaction by reversing the amount of USD.32 000. On 11th March, 2016 the bank deposited USD. 6000 on the Commission account.

The Executive Secretary further informed the meeting that he wrote to KCB demanding for an explanation for the irregular transfers, and despite reminders and several visits to the KCB Stone Town Branch, no satisfactory answer was given to him instead the management of the KCB Zanzibar informed him that the matter was being handled directly at KCB (T) Ltd Head Office in Dar-es-Salaam. When he demanded why KCB did not even acknowledge initial communication from EAKC ES, as courtesy demands of dealing with customers, the Manager said that KCB (T) Ltd was dealing directly with EAC Secretariat in Arusha.

d) He stated that after failing to get any useful information from the Bank, on 9th July, 2016 he communicated to Ag. Deputy Secretary General (Finance and Administration), Dr. Enos Bukuku, informing him about the irregularities. He proposed that EAC Security and Safety Department helps the Commission initiate criminal investigations on the matter. The DSG advised the Commission to get information on the exact office KCB was dealing with at the EAC Secretariat.

e) He said that on 20th July 2016, he informed the EAC Secretary General of the irregular transfers and sought his intervention, especially on the need for the EAC Security and Safety Department to step in and pursue criminal investigations. On 21st, July 2016, the SG wrote seeking the EAKC to furnish him with further details concerning the transaction. He responded and furnished him with information of what had happened and the actions the office had taken in pursuing the matter, including writing to the Bank, discussing with the Commission Accountant and conversation with Mr. Luttashaba, Head EAC Security and Safety Department.

f) The ES further stated that he was particularly keen on criminal investigations because his mobile number was diverted during the same period when the irregular transfers were being effected and that was the period the Commission staff were relocating to Zanzibar. He said that he was further alarmed when KCB (T) Ltd Head Office called him in June, 2016 and insisted he had been called and cleared the said irregular payments.

g) The matter of irregular transfers was picked up by the EAC Internal Auditor during EAKC's auditing exercise conducted between the 6th- 10th, June 2016. The Auditor requested for EAKC Management response to the same. In the absence of clear information from KCB, the Commission did not have an immediate response as required. He asked the Auditor to come back for an exit meeting with the whole EAKC staff on the 8th August as he did not attend the earlier one as he was away from the station on official duty.

h) On 7th August, 2016, the EAC Director of Finance called him and informed him that he was already in Zanzibar and he would be attending the planned exit meeting between the EAKC and the auditor. The ES was curious why he was not informed of the DF's presence and planned attendance at the exit meeting. He quickly alerted the Ag. DSG (F&A), Dr. Bukuku about this. The DSG wrote back an email informing him that he had taken up the matter with Governor, BOT and assured the ES that the matter was being handled professionally at the highest level of banking in Tanzania.

i) The Director Finance to attended the exit meeting during that meeting, the DF informed the meeting that there was yet another attempt to transfer a sum of USD 27 000 (Twenty-seven thousand) from the Commission account and KCB stopped that attempt. The ES was shocked and distressed at this revelation as he was neither aware of the same and nobody had informed of the same. On hindsight, the ES was tempted to think that indeed KCB (T) Ltd was dealing directly with the Secretariat at his exclusion. The ES has demanded an explanation to no avail.

j) In communication from Head of Retail, Masika Mukule, KCB admitted that the transactions were a fraud. And that after internal investigations, disciplinary measures were taken on staff who were involved in the fraudent transaction. In the same letter, the Head of Retail revealed that the transfer of USD 32,000 was through cheque number 000023. This was the first time he was getting information regarding the matter of cheque although the bank statements at the Commission indicated the transfer was direct.

k) The EAKC informed the meeting that the two cheques in question of fraudulent transactions were issued by the Commission and honoured by KCB Bank in 2015 and could not again be used in March, 2018.

When the Committee deliberated the matter, it observed that the matter could not be conclusive without interacting with the bank and get their side of the story. In line with its mandate and the powers enshrined upon it by rule 14 (d) of the rules of procedures of the Assembly on special powers of the Committees on 10/ 5/ 18, the Committee summoned Group Managing Director of KCB. On 11/5/18 the management of KCB appeared before the Committee represented by Mr. Lawrance Kimathi the group Chief Finance Officer and Mr Masika Mukule Head of Retail in Tanzania.

The management of the bank informed the Committee that KCB Tanzania conducted two investigations, one that the Lumumba Branch Manager reported on 15 March 2016, KCB Lumumba branch detected forged cheque No. 000024 amounting US $ 27,550 drawn by Customer known as EAC Kiswahili Commission A/C No. 3301189237 domiciled at Stone Town branch payable to another KCBT customer known as TPDC A/C No. 3301256546 domiciled at Msimbazi Branch.

This prompted, branch management to recall another cheque No. 000023 deposited at Lumumba branch on 11 March 2016 drawn and paid to the same customer US $ 32,000 and confirmed that the said cheque was altered as well but the fraudster TPDC had already withdrawn the funds from the account on 11 March 2016 and 12 March 2016. Based on these two scenarios cheque No. 000024 for US $ 27,550 was dishonored meanwhile the customer who brought the cheque disappeared from the branch and has never showed up again to date. It was also observed that account No. 3301256546 of TPDC was opened at Msimbazi branch on 20 November 2015 as a sole proprietor company under one signatory named WILLIAM BRAOWN MKASA.

The second investigation was conducted after the Customer EAC KISWAHILI COMMISSION reported on 8th June 2016 that forged cheque No. 000022 amounting US $ 6000 drawn by Customer known as EAC Kiswahili Commission a/c No. 3301189237 domiciled at Stone Town branch was cashed to one individual known as SHAMIRA MASIKA on 10th March 2016 at Stone Town Branch.

The bank revealed that the said forged cheque 000022 was originally issued to KENNETH SIMALA with amounting US $ 9,499 on 9 November 2015. However, the investigation, revealed that the original cheque number 000022 was issued to KENNETH INYANI SIMALA on 28 September 2015 amounting US$ 9,499. The Investigation also revealed that the drawer, EAC KISWAHILI COMMISSION took 3 months to detect the fraud incident and report the discrepancies from the account. It was further revealed that the alleged cheque was altered in five sectors which are; account number, cheque number, cheque code, account holder name and Branch name. The cheque was not originated from account of EAC KISWAHILI COMMISSION domiciled at Stone Town branch. According to examination done through Bar code reader machine, the forged cheque originated from account No. 3301256546 in the name of TPDC issued at Msimbazi Branch. Thus, the fraudster customer and Payee SHAMIRA R. MASIKA used (TPDC) cheque book to defraud the EAC Kiswahili Commission account.

The investigation team was told that confirmation/call back for cheque No. 000022 to the customer EAC KISWAHILI COMMISSION was done on 10th March 2016 by Operations Manager Stone Town Branch through one signatory of the account known as KENNETH SIMALA through Mobile phone No 0758 347184 at 16:27 of the said day. Further, the Investigation team was told that confirmation/call back for cheque No. 000023 and 000024 to the customer EAC KISWAHILI COMMISSION was done on 11 March 2016 by ASHA KAWAGA, Business Banker at Lumumba Branch and also done by SQC Manager Stone Town Branch, DANIEL MWANYIKA. Both Asha and Daniel said they called Kenneth Simala (Cell No +255758347184), as one of the signatories of the account.

It was also noted that account No. 3301256546 which the altered cheque originated belongs to TPDC (this TPDC is not in any way affiliated with the Tanzanian Petroleum Development Company) and was opened at Msimbazi branch on 20 November 2015, as a sole proprietor company under one signatory named WILLIAM BRAOWN MKASA. The investigation team discovered that the same customer TPDC on 11th March was involved with a fraudulent transaction on account of EAC Kiswahili Commission.

The meeting was further informed that investigation team requested the signature specimens of the two signatories MR JOSEPH MALESI and MR KENNETH SIMALA for the purpose of verification with Forensic Bureau Police Force to ascertain whether they signed the cheque. Joseph Malesi provided the signature specimen but Mr. Simala Kenneth has since refused.

KCB Bank Tanzania Limited, applied consequence management on staff who were implicated on this scam, five staff; 1) Teller, 2) SQC Manager, and 3) Acting, Cash Officer were given severe warning. Two staff, 4) Business Banker and 5) Branch Manager were terminated from Employment. Meanwhile the Bank refunded EAC Swahili immediately once it was established that the fraud was partially caused by negligence from KCB staff to ensure normal customer operation are not affected

The Management of KCB further informed the meeting that it restricted the remaining balance of TZS 6,737,200 on account No. 3301256546 of TPDC and issued a stop order on the outstanding cheque numbers immediately.

The Bank has taken the following action.

1. Terminated the culpable staff after internal investigations were completed.
2. Refunded EAC Kiswahili Commission account to ensure that EAC Kiswahili Commission account operations are not inconvenienced.
3. Enhanced controls to ensure mitigation against this nature of frauds in future.
4. KCB Bank Tanzania has been working with Police Zanzibar very closely on this matter with reference to various correspondences.

The Commission could lose funds through fraudulent bank transactions and potential interest for the money that was erroneously paid from EAKC account. Further the Committee observed that it was possible and even likely that a member or members of the Kiswahili Commission staff were involved in this fraud.

The Committee urges the Assembly to urge the Council of Ministers:-

i. ***To direct the Executive Secretary and the Principal Accountant to step aside as the investigations into the fraud are undertaken;***

ii. ***Seek interest compensation for the 1 month period before the KCB transferred the amount to EAKC account.***

iii. ***Enforce stringent controls on bank transactions.***

PART VIII

8.0 THE EAST AFRICAN SCIENCE AND TECHNOLOGY COMIISSION (EASTECO)

AUDIT FINDINGS

8.1 Low absorption rate of budget

The Audit Commission reported that according **to the** EAC Financial Procedure Manual section 2.1.15.1 (c) on budget performance monitoring activities require that, budget monitoring shall involve tracking significant budget performance deviations and advising on appropriate corrective measures and compiling budget performance analysis and reports. However the Audit Commission observed that during the year 2015/16 the Commission had an approved budget of USD 847,211 with actual income of USD 847,591 but the Commission was still struggling to absorb its budget. Audit further noted that of the budgeted amount only USD 636,822 was spent equivalent to 75 per cent leaving unspent balance equivalent to 25 per cent.

When the Management of EASTECO interacted with the Committee, they concurred with the Audit finding and reported that the low budget absorption was caused by the non-recruitment of some planned positions for the period under review.

Committee observations/recommendation:

Failure to fully absorb the budgeted funds makes the implementation of the planned activities difficult hence the Commission may not achieve its objectives as planned. The Commission should endeavour to absorb its approved budget by implementing the activities as planned.

8.1.2 Inadequate staffing level

The Audit Commission reported that EASTECO establishment provide for 22 staffs however, the review of the EASTECO approved staff establishment revealed shortage of staff. It noted that out of 22 required staff, the Commission has four (Executive Secretary, Deputy Executive Secretary, Principal Administrative Officer and Principal Accountant); despite the fact, EASTECO started its operations in June 2014 and prepared its first set of financial statements for the financial year 2014/15.The staffing level are at almost 25% of the EASTECO establishment leading to a shortage of 75% of staff.

When the Management of EASTECO interacted with the Committee, it acknowledged the Audit finding and reported that the plans are underway to have the vacant positions filled in line with the Council approval and organizational organogram.

Committee observations / recommendations:-

This is a major challenge across the East African Community Institutions and Organs. The management of EASTECO should engage Council to ensure that the vacant positions are filled in line with its staffing level in order to fulfil its mandate and objectives as planned.

8.1.3 Delay in finalization of the Strategic plan

The Audit Commission reported that since its operation started, the Commission has been operating without the Strategic plan yet it's supposed to set out its principles that will guide the strategic objectives of the Commission and its achievement. The management acknowledged the Audit finding and reported that the strategic plan is now in place.

The Committee observes that without a strategic plan EASTECO risks implementing activities which are not in line with the established strategic objectives of the Commission. The Committee applauds EASTECO upon the finalization of its strategic plan and urges it to endeavour implement its objectives and outcomes.

8.1.4 ESTABLISHING OF THE GOVERNING BOARD

The Audit Commission reported that EASTECO the was established in accordance with the protocol establishing the Commission, signed in 2007.However Audit noted that Article 7 of the Protocol outlines the composition of the Commission, one being the Board as a governing body. Further, article 8 of the same Protocol explains the composition of the Governing Board and states that the Commission should meet least twice a year as recommended in article 9.

The Audit Commission observed that since its operationalization in 2014/15, the Commission had not constituted the Board despite its composition being directed in the Protocol. When the Committee interacted with the management of the EASTCO, they acknowledged the audit finding and reported the challenges they are facing implementing the protocol as far as constituting its board because of its big number. Management reported that the board is supposed to be constituted of 7 board members from each Partner State.

Although absence of the Board underscores the limitation in the Commission strategic decisions, the 7 member Board is difficult to manage in view of the cost implications involved.

The Committee recommends the Assembly to urge the Council of Ministers to *amend the Protocol establishing EASTECO and other EAC Commissions and down size the number of representatives to the governing board from 7 members to 2 members to make the implementation of the governing boards manageable.*

8.1.5 Lack of segregation of Duties

The Audit Commission reported that EASTECO did not have segregation of duties in the accounting sections. The Accounts' section was operating with only one Principal Accountant who prepared cheques, approved and made payments, prepared and signed bank reconciliations. This was as a result of lack of sufficient staff in the EASTECO.

When the management of EASTECO interacted with the Committee, they acknowledged the Audit finding and when EASTECO was started only key staff were recruited and it took some time get approval for recruitment of another Accounts staff since the position did not exist in the initial staff establishment.

Management informed the meeting that an Accounts Assistant has now been recruited and the duties are now segregated.

The Committee recommends the Assembly to urge the Council of Ministers to ensure that the Commission is adequately staff in order to ensure that it performs its mandate.

8.1.6 OUTSTANDING RECEIVABLES FROM PARTNER STATES $ 147,613

A review of the EASTECO financial statements revealed that Partner States have not fully paid their contributions.

Burundi had an outstanding receivable of $135,522 (2014/15: $ 46,764), an increases by 190%; Tanzania had an outstanding receivables of $ 4,884 (2014/15: $ 13,262) a decreases by 63%; and Uganda had an outstanding receivables of $ 7,207 (2014/15: $ 97,287) a decrease by 93%.

Despite the above situation the audit Commission noted that, there were no action plans taken by the EASTECO for the recoverability of the Partner States receivables. When the Committee interacted with the management, it was informed that the problem is general one affecting most EAC Institutions and Organs.

The Committee recommends the management to develop an action plan and continue liaise with Council and to liquidate the outstanding receivables.

8.1.7 VAT Recoverable $ 13,125

The Audit Commission reported that a review of the EASTECO financial Statement noted that no tax exemption had been issued to the Agency, and a review of the EASTECO Financial statements for the year 2015/16 noted a VAT recoverable balance of $ 13,125 an increased by $ 2,884 (representing a 28% increase) from the previous year reported balance of $ 10,241.contrary to article IV Section (4) of the Headquarters agreement between the Government of Rwanda and the East African Community.

When the EASTECO interacted with the Committee, it informed it that the VAT receivables were inherited from EAC and the Rwanda Revenue Authority is paying back the VAT on time.

The Committee Observed that:-

i. Failure to recover VAT contravenes EAC Headquarters Agreement with the Republic of Rwanda and this may affect implementation of Community activities.

ii. There is an increase risk on loss of EASTECO funds which could be used to finance other priorities.

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

i. ***EASTECO is advised to continue liaising with the Rwanda Revenue Authority by instituting vigorous system to have the VAT reclaimed.***

PART IX

9.0 THE EAST AFRICAN HEALTH RESEARCH COMMISSION (EAHRCO)

9.1 CURRENT YEAR AUDIT FINDINGS

9.1.1 Low Budget performance

The Audit Commission reported that during the year financial year 2015/16, EAHRC had a budget of USD 844,542. The institution spent USD 517,538 resulting into unutilized funds worth USD 327,004 equivalent to 39% of the budgeted funds. Audit noted that the activities that were not executed included the recruitment of 5 additional staff. This affected the operationalization of the Commission including the segregation of duties in all activities of the Commission.

The Management of EAHRCO informed the Committee that the low absorption was due to non-recruitment and the lengthy recruitment process of staff, and during the inception period the Commission was operating from the EAC offices in Arusha so the money which had been budgeted for utilities and other amenities was saved.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that EAHRC endeavors to implement all activities as planned within the agreed time frame. The budget and planned activities should be reasonable and achievable.

9.1.2 Expenditure overstated USD 47,250

The Audit Commission reported that EAHRC accounts revealed that as at 30th June 2016, EAHRC accrued settlement allowance totaling **USD 47,250** for staff that were not yet recruited as at 30 June 2016. In addition, the Audit Commission was not provided with the basis of computation of the settlement allowance. This is because, according to staff rules and regulations settlement allowance depends on the number of family members the staff reported with. It is worth noting that the above amount was also accrued expenditure for the year ended 30 June 2015.

The Management of EAHRC informed the Committee that they had initially budgeted for 7 staff, a number that included 2 Principal Health Officers and their settlement was budgeted for in FY2014/15 but their recruitment process of the PHO delayed. They reported that the settlement allowance was in compliance with EAC Staff Regulations Manual which allows for a staff, the spouse and 04 legal dependents for 30 days.

The Committee observed that expenditures and liabilities for the financial year 2015/2016 were overstated by **USD 47,250**. Consequently, the financial statements of the commission are misstated and misleading the users.

Management of the Commission should make necessary adjustments of its expenditures to reflect reality. EAHRC management should ensure that it complies in full with IPSAS and EAC financial rules and regulations.

9.1.3 Lack of annual performance appraisal of staff

The Audit Commission reported that regulation 32 (3) of EAC staff rules and regulations states that, performance evaluations shall be conducted on an annual (calendar year) basis for every confirmed member of staff. Contrary to the above provision, audit scrutiny on the personnel records and files for the year under review revealed that performance evaluations of EAHRC staff was not conducted.

In addition, a review of personnel files revealed that they did not contain Medical certificate for service fitness and official oath for all EAHRC staff. When the Committee interacted with the Management it confirmed the Audit finding and informed the Committee that the issue has been rectified.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that the Management of EAHRC adheres to the staff rules and regulations by ensuring that all staff are evaluated annually and the related documents kept in respective staff files. In addition, personnel files should be updated for future reference.

PART X

GENERAL OBSERVATIONS/RECOMMENDATIONS AND ACKNOWLEDGEMENT

I. IRREGULAR EMPLOYMENTS DUBBED "SHORT TERM CONTRACTS".

The Committee noted that while "short term contracts" in the EAC are used to fill manpower gaps in the institution they promote corruption and nepotism. The Committee warns that continued use of these contracts would be harmful to the regional integration process and recommends to the Assembly to urge the EAC Council of Ministers to direct the Secretary General to immediately put an end to them by finding a permanent and regulation compliant solution.

2. IRREGULARITIES AND NON-ADHERENCE TO PROCUREMENT RULES AND GUIDELINES.

The Committee observed that irregular procurement of goods and services at the EAC create opportunities for fraud and exorbitant prices. There is gross irregularities and non-adherence to the procurement rules and guidelines. The Committee recommends to the Assembly that it;

i. Directs the Council of Ministers to take deterrent disciplinary actions against the non-compliant EAC Officers involved in the procurement process of goods and services at all levels;

ii. Cause a Forensic Audit to be done on the identified procurement transactions in this report above.

iii. The Council of Ministers moves a Bill of the Community that will regulate Procurement and Logistics Management in the Community.

3. NON REMITTANCES OF CONTRIBUTIONS BY EAC PARTNER STATES.

The Committee observed that non remittances of contributions by EAC Partner States is making implementation of EAC programs difficult. Besides when funds are remitted towards the end of the financial year, they are not sent to the specific institution to which the money was budget for but deposited to the reserve account.

The Committee recommends to the Assembly to urge the EAC Council of Ministers to engage all stakeholders on the matter and ensure contributions are remitted timely.

4. NON IMPLEMENTATION OF THE PREVIOUS ASSEMBLY/AUDIT RECOMMENDATIONS

The Committee observed through this process that there was low implementation of the Audit / Assembly recommendations. The Committee recommends;

i. *That the EAC put in place a proper mechanism which will enable the Assembly to receive periodical reports on the status of implementation of its recommendations from the Council of Ministers.*

ii. *Direct the Audit Commission to follow up and report on an half year basis to the Assembly through the EALA Committee on Accounts the status of implementation of the Assembly's recommendations.*

5. WEAK AUDIT FUNCTIONALITY

The Committee observed a weak Audit unit in the EAC secretariat where one Auditor has been carrying out the audit function on all the organs and institutions of EAC. Although 2 auditors have been recruited, the unit is still understaffed.

The Committee recommends the Assembly urges the EAC Council of Ministers to upgrade the Audit function to a department and ensure that the audit function is properly manned with the necessary personnel to carry out the function.

6. LACK OF PROPER MANAGEMENT OF EAC PROJECTS AND PROGRAMMES

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

i. *Direct the EAC Council of Ministers to put in place an established project management unit/mechanism that will ensure all issues for the successful implementation of projects are well addressed;*

ii. *to make sustainability plans for all projects and align them with EAC the objectives and mission to enhance durability of these initiatives after project/programme closure;*

ii. *Direct the Council of Ministers to ensure branding of EAC Projects and Programme initiatives is planned for and implemented to enhance the visibility of EAC activities.*

7. VAT RECEIBALES

The Committee observed non remittance of the VAT receivables across the Partner States by the revenue collection bodies. The Council of Ministers should engage the Ministers of Finance and the Sectoral Committee on finance to ensure that the VAT receivables are remitted timely to the EAC institutions.

8. UNDERSTAFFING

Most of the EAC institutions are grossly understaffed and this has led to non-segregation of duties and this has led to violation of staff rules and regulations.

The Committee recommends to the Assembly to urge the Council of Ministers to ensure that all the positions at EAC are properly filled as per the staffing structures.

9. *Inadequate and weak regulatory framework governing the financial and procurement regimes at the EAC. The committee noted that the existing financial rules and regulations currently governing the financial regime in the EAC is weak and does not hold the staff culpable in instances of staff who violate the rules. This has led to violation of the financial rules and regulations. Therefore, the committee recommends that a substantive Financial Management Act is enacted to regulate the financial regime at EAC.*

10. *Accounts signatories to EAC Accounts. The Committee observed that some of the account signatories of EAC institutions and organs misuse the rule that allows them to transact in cash from their respective accounts thus making a lot of unexplained cash withdraws almost on a daily basis. The Committee therefore recommends that Cash transactions from institutions accounts should be stopped and a new mechanism devised for running these institutions day to day.*

11. *Compliance and verification system. The Secretary General should institute a mechanism to ensure that before any payments above of 100,000 USD is made, the Director of Finance/Deputy Secretary General should ensure that the goods and services being procured have been delivered and authenticated in the stores ledger.*

12. *The Committee recommends strict verification of academic certificates to ensure compliance.*

13. *The Committee noted that the senior procurement officer was the Secretary to the procurement committee and thus was likely to lead to a conflict of interest. The Committee recommends that the Senior Procurement Officer or any other staff from the procurement committee should not be involved in the procurement processes at the EAC.*
14. *The Committee recommends that the Council of Minsters urge the Partner States to ensure timely remittances of funds to the EAC and should further expedite the proposed alternative funding mechanism in order to ensure that the EAC is adequately funded to implement activities.*

15. *The committee noted that the membership of the governing Councils of the Commissions are big and are making the implementation of the mandate difficult. The protocol provides for 7 members of the governing council. The committee recommends that the protocol governing the councils be amended to provide for a sizeable number of representation from the respective Partner States. Additionally, the Committee recommends 2 members vis a viz the growing number of Partner States.*

16. *Weak disciplinary mechanism to reprimand staff at the EAC.*

The committee noted a weak disciplinary mechanism at the EAC for enforcing staff discipline. The Committee was informed that whenever disciplinary issues arose on specific staff, issues of partner states overshadow the particular violations the individual staff would have committed. The Committee recommends the Council of Ministers should ensure that strong/stringent disciplinary mechanism are taken against staff who willingly violate the EAC rules and regulations. And the Committee also recommends that the Secretary General should report to the Assembly on an annual basis regarding staff performance and discipline.

17. *The Committee also recommends to the Assembly to urge the Council to ensure that Secretariat adheres to the ISO9000 regulations and standards as it is an ISO certified institution.*

18. *The Committee further recommends that the Assembly urges the Council to put in place a monitoring and evaluation department within the EAC Secretariat to monitor the progress of the Community towards its objectives.*

ACKNOWLEDGMENTS

The Committee wishes to thank the Rt. Hon. Speaker, the Clerk and the entire Management of EALA for the excellent facilitation accorded to it while executing its mandate. Despite limited time, the Committee finalized the bulky and demanding exercise

within the financially dictated timeframe. It is however my place as chairman to state that in future more time is required to dispose of Audit items.

The Committee further wishes to thank the Audit Commission for fulfilling their mandate bestowed on it by *Article 134* of the Treaty.

Finally, the Committee commends the EAC Secretariat and other EAC Organs and Institutions for the continued cooperation.

MEMBERS OF THE COMMITTEE ON ACCOUNTS

Consideration of the EAC Audited Financial Statements for the Year ended 30th June, 2016

APRIL 29TH – MAY 13TH 2018, NAIROBI - KENYA

1.	Hon. Dr. Maghembe Ngwaru Jumanne	-	------------------------------
2.	Hon. Adam Omar Kimbisa	-	------------------------------
3.	Hon. Aden Omar Abdikadir	-	------------------------------
4.	Hon. Christopher Nduwayo	-	------------------------------
5.	Hon. Dennis Namara	-	------------------------------
6.	Hon. Dr. Gabriel Arol Garang Aher	-	------------------------------
7.	Hon. Fancy Haji Nkuhi	-	------------------------------
8.	Hon. Gabriel Garang Alaak	-	------------------------------
9.	Hon. Gasinzigwa Oda	-	------------------------------
10.	Hon. Jean Claude Barimuyabo	-	------------------------------
11.	Hon. Kennedy Ayason Mukulia	-	------------------------------
12.	Hon. Kennedy Kalonzo Musyoka	-	------------------------------
13.	Hon. Muhia Wanjiku	-	------------------------------
14.	Hon. Pierre-Celestin Rwigema	-	------------------------------
15.	Hon. Pierre Claver Rurakamvye	-	------------------------------
16.	Hon. Rose Akol Okullu	-	------------------------------
17.	Hon. Susan Nakawuki Nsambu	-	------------------------------
18.	Hon. Victor Burikukiye	-	------------------------------