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Twenty First Meeting of the Sub Committee on Audit and Budgetary Matters

Sub Committee

Lusaka, Zambia

28 October – 1 November 2019

**REPORT ON THE STATUS OF IMPLEMENTATION OF AUDIT**

**RECOMMENDATIONS ARISING FROM THE REPORT OF**

**THE AUDITORS GENERAL ON THE AUDIT OF THE**

**RESERVE FUND FOR THE PERIOD**

**01 JAN 2005 TO 31 DEC 2016**

1. During the Thirty Eighth Meeting of the Council of Ministers meeting in Lusaka Zambia, Council considered a report on the outcome of the audit of the Reserve Fund by the Auditors General of COMESA Member States.
2. The Auditors General had been mandated by the Thirty Seventh Meeting of the Council to conduct an audit of the reserve fund. The audit was conducted from 8 – 14 December 2017.
3. Council took the following decisions after considering the report:
4. *Adopted the unqualified Auditors General Report on the Statement of accountability of the Reserve Fund.*

1. *Noted that the Secretariat only opened a dedicated Reserve Fund bank account in February 2016 and that Reserve Funds were comingled with other operational accounts from 2005 to 2015.*
2. *Directed that the Secretariat should come up with a clear action plan and time frame for the implementation of the following Auditors’ General recommendations: -*
3. *Secretariat to open a control ledger account in which receipts from services by the Secretariat are monitored and in turn would inform management of how much should be transferred into the reserve fund account that was opened in February 2016. This will facilitate compliance with Financial Rule 45(1)(e)*
4. *Amounts receivable and received from annual Member States contributions recorded in ledger as at a specific date should always match with reports of Council of Ministers.*
5. *Secretariat to propose review of Financial Rule 45(1)(b) requiring excess annual Member States contributions over expenditure to be deposited into Reserve Fund, for ease of administration of the Reserve Fund, as annual surpluses do not translate into receipts into the Reserve Fund.*
6. *Secretariat to come up with better ways of enabling member countries to pay on time toward COMESA activities, as well as safe guarding Reserve funds for unseen eventualities.*
7. *Secretariat to properly file documents relating to deposits and long-term investment and produce these documents whenever they are needed for review. A proper filing system with dedicated supervision should be instituted.*
8. *Sub Committee on Audit and Budgetary matters to constitute a Team to work with COMESA Secretariat and Boards and management of RI; CCO; and FEMCOM in coming up with a proposal on transfer of other income and excess of receipts over spending (of annual Member States contributions) from the COMESA Agencies to COMESA Reserve Fund. This will facilitate compliance with Financial Rule 45(1)(e).*
9. *Secretariat to maintain Reserve Fund on a cash basis.*
10. *Secretariat to make disclosures of savings between approved and utilized amounts from Reserve Fund.*
11. *Secretariat to prepare make bank reconciliations and Reserve Fund reconciliations.*
12. *Directed that the Internal Audit Unit and External Auditors, based on their respective roles, follow up and report progress on the implementation of recommendations detailed in the Management Letter on the audit of the Reserve Fund by the Auditors General.*

1. Internal Audit Unit has conducted a review of the implementation of audit recommendations as outlined in the matrix below:

| ***No*** | ***Audit Recommendation*** | ***Status of Implementation as at 15th September 2018*** | ***Status of Implementation as at 15th September 2019*** |
| --- | --- | --- | --- |
| 1 | Open a control ledger account in which receipts from services by the Secretariat are monitored and in turn would inform management of how much should be transferred into the reserve fund account that was opened in February 2016. | Control account has been created (effective 01 October 2018) as follows:   |  |  | | --- | --- | | *General ledger account number* | 2-4-10-0110 | | Creditor | Current Liabilities | | *General ledger account name* | *Control account - Reserve Fund* | | The Control account has been opened. However, no transactions had been posted in the ledger as at 16th August 2019. |
| 2 | Amounts receivable and received from annual Member States (MS) contributions recorded in ledger as at a specific date should always match with reports of Council of Ministers. | Accounting records reconcile with Council report. | MS contributions as at 31st May 2019 reported during 30th Meeting of the Bureau in Nairobi on 21st June 2019 reconciled with the accounting records. |
| 3 | Secretariat to propose review of Financial Rule 45(1)(b) requiring excess annual Member States contributions over expenditure to be deposited into Reserve Fund, for ease of administration of the Reserve Fund, as annual surpluses do not translate into receipts into the Reserve Fund. | Outstanding | Outstanding |
| 4 | Secretariat to come up with better ways of enabling member countries to pay on time toward COMESA activities, as well as safe guarding Reserve funds for unseen eventualities | The Secretariat has undertaken missions to Permanent Representatives resident in Zambia in order to understand the  Challenges faced by Member States in remitting contributions to COMESA and come up with long term measures of addressing these challenges. | Executive Management engaged Member States on payment of arrears and contributions during various missions that were undertaken during the period. |
| 5 | Secretariat to properly file documents relating to deposits and long-term investment and produce these documents whenever they are needed for review. A proper filing system with dedicated supervision should be instituted. | **1. Long term investments (ZEP-RE & ATI):** Share Certificates are secured in the safe in the Division of Budget and Finance.  a lockable cabinet in the Treasury Office.  **2. Term Deposit Cerficates:** Deposit Certificates are secured in dedicated files. | Long term investments include ZEP-RE & ATI with 10,680 and 100,000 shares respectively.  A Term deposit of USD 1,243,124.25 at EcoBank with a maturity date of 30th August 2020 at an interest of 2.5% per annum. |
| 6 | Sub Committee on Audit and Budgetary matters to constitute a Team to work with COMESA Secretariat and Boards and management of RI; CCO; and FEMCOM in coming up with a proposal on transfer of other income and excess of receipts over spending (of annual Member States contributions) from the COMESA Agencies to COMESA Reserve Fund. This will facilitate compliance with Financial Rule 45(1)(e). | Outstanding | A Team to work with COMESA Secretariat and Boards and management of RIA; CCC; and FEMCOM was not constituted by the Sub-Committee during the period. The Team is expected to work on modalities of facilitating compliance with Financial Rule 45(1)(e).  However, in April 2019, the Secretariat and the Insitutions undertook an exercise of separating the reserves of the institutions from the Secretariat and also confirmed the reserves held by each Insitution. The objective of the meeting was to implement the decisions of Council with regards to the Reserve Fund & Financial Reporting in maintaining adequate monitoring and oversight of the cash in the Reserve fund |
| 7 | Secretariat to maintain Reserve Fund on a cash basis. | The Reserve Fund is now maintained on a cash basis. Rental income and other income, are directly transferred into Reserve Fund – account at the bank. Bank Reconcilations of the reserve bank account are prepared on a monthly basis | The Reserve Fund continues to be maintained on a cash basis as only cash is transferred in this account. |
| 8 | Secretariat to make disclosures of savings between approved and utilized amounts from Reserve Fund | Schedule showing amounts approved and utilised from the reserve fund are being finalized. These include: audit of reserves by KPMG – COM$ 28,883 and Auditors General – COM$ 122,000; Impact assessment – COM$ 282,640; Skype for business – COM$ 199,450, 2018 Summit – COM$ 760,000; FEMCOM -COM$63,071 ; Absorption of General Service and Professional Staff – COM$ 790,034 and USAID staff salaries COM$ 790,034. | For the period Novemebr 2018 to 30th June 2019, the following were drawn from the reserves: FEMCOM AGM & Board meeting - USD64,405; Recurrent operational expenses – COM$ 841,171; Working capital for RDOAG – COM$ 290,435; Audit fee (KPMG) for the year 2017- COM$ 16,920.  Disclosures of savings between approved and utilized amounts for 2018 and 2019 to be commnicated to Council. |
| 9 | Secretariat to prepare bank reconciliations and Reserve Fund reconciliations. | Bank reconciliations and Reserve Fund reconciliations on the Reserve Fund are being done. | Bank and Reserve Reconciliations for the period January 2018 to May 2019 were properly carried out. |