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**COMMON MARKET FOR EASTERN**

**AND SOUTHERN AFRICA**

Twentieth Meeting of the Sub-Committee on

Audit and Budgetary Matters

28 October – 1 November 2019

Lusaka, Zambia

**2018 Audited financial statements (Agenda Item 4.1)**

**COMESA Organs:**

* **Secretariat**
* **Court of Justice**

**COMESA Institutions:**

* **Competition Commission**
* **FEMCOM**
* **Regional Investment Agency**
* **Africa Leather & Leather Products Institute**

**(AGENDA ITEM 4.1)**

1. Secretary General of the Common Market is here by submitting a statement regarding external audits of COMESA Organs and other COMESA Institutions, as required under the following **Article 169 (Accounts of the Secretariat and External Auditors)** provisions of the COMESA Treaty: -

* ***The accounts of the Secretariat relating to each financial year shall be prepared in accordance with international accounting standards and shall be audited in the following financial year by External Auditors (Article 169)(1);***
* ***The External Auditors shall be appointed from time to time by the Council on the proposal of the Secretary-General. Such External Auditors shall be based in the Common Market and be qualified to practise in accordance with the national laws of the Member States. The External Auditors shall be persons of outstanding repute and integrity and who shall have demonstrated a high degree of professional skills (Article 169)(2);***
* ***The External Auditors shall act in accordance with any general or specific directions of the Council and, subject thereto, shall: (a) determine its own procedure; and (b) submit its report of the audit to the Secretary-General not later than six months from the expiry of the financial year to which the accounts so audited relate (Article 169)(3);***
* ***Upon receipt of the report of the External Auditors, the Secretary-General shall circulate copies thereof to every Member State and convene a meeting of the Intergovernmental Committee or Committee on Administrative and Budgetary Matters to examine the report and to make recommendations in relation thereto before the report is submitted to the Council for adoption (Article 169) (4); and***
* ***The Council may make regulations for the better carrying out of the provisions of this Article and without prejudice to the generality of the foregoing, such regulations may provide for the terms and conditions of service and the powers of the External Auditors (Article 169) (5).***

1. Based on the above, the Council has made the following decisions: -

**October 2016:**

* Council decided that:

1. ***the audit of the Secretariat and its Agencies should be conducted by the office of the Auditor General of Member States as from the financial year 2017.***
2. ***The audit of projects shall also be undertaken by independent audit firms.***

**November 2017:**

Given the magnitude and significance of annual external audit on the financial statements of COMESA Secretariat and its Agencies, Council (para 302) decided the following: -

1. That the recommendations on the implementation of the external audit of COMESA Secretariat and Its Agencies by Auditors General of Member States be thoroughly examined by all Auditors General of COMESA Member States, prior to their being re-submitted to Council. The Auditors General should also develop a Road Map on its implementation;
2. That the Bureau be mandated to: -
3. receive and operationalise the Road Map to be submitted by the Auditors General; and
4. Upon receipt of the Road Map, decide on the external audit of 2017 annual financial statements of COMESA Secretariat and its Agencies.

**May 2018:**

* ***The Bureau operationalised the framework of external audit of COMESA Organs and Other COMESA Institutions, by Auditors General.***

**July 2018:**

* ***Council (para 130) approved the budget of the 1st audit of COMESA Organs and Other COMESA Institutions, by Auditors General.***

**November 2018:**

* ***Council (para 48) decided, that in line with best practices, the Secretariat should in future always ensure that COBEA Chair and or in his/her absence, duly authorized COBEA representative present their own management letters and auditors reports on the audit of annual financial statements of COMESA Organs and its Institutions to facilitate review by the Sub Committee on Audit and Budgetary Matters.***
* Council decided (para 66)

1. ***To constitute a Select Committee of Council consisting of the Chair, Vice Chair and three other non - members of COBEA namely Kenya, Mauritius and Uganda to interrogate the 2017 COMESA Secretariat Audit Report;***
2. ***That the Select Committee be convened in the second week of January, 2019;***
3. ***That the report of the Select Committee be submitted to an Extra Ordinary meeting of Council of Ministers to be held in February, 2019;***
4. ***The Audit Charter for COBEA be developed.***

* ***Council adopted the 2017 audited financial statements of approved the budget of the 1st audit of COMESA Court of Justice and other COMESA Institutions, specifically Competition Commission; FEMCOM; Regional Investment Agency; and Africa Leather & Leather Products Institute.***

**April 2019:**

Council (para 49) decided that: -

1. ***The instruments identified in the framework as presented by the Auditors General in their meeting on March 2018 should be prepared and presented to the Policy Organ for consideration and approval;***
2. ***The preservation of the 7 Pillar status of COMESA should be a key consideration in the finalization of the above instruments; and***
3. ***The Instruments should facilitate the Secretariat to prepare itself for the new 9 pillar assessment.***

* Council (para 57) took the following decisions: -

1. ***Adopted the reports of the Ministerial Select Committee and 2017 COBEA report as an internal report; and***
2. ***Directed the Secretariat to implement the 2017 COBEA audit report recommendations and submit its report to Council until all matters are fully addressed.***
3. The Auditors General, preceded by their Experts, from Member States of COMESA met on 10 October 2019. Their Report is part of Agenda Item 8.2.
4. Pursuant to her mandate under Article 17 (2), as Chief Secretary General of the Common Market, the Secretary-General hereby shares her views regarding aligning decisions with the following key considerations: -
5. The founding fathers gave COMESA an international character (Article 17)(7); and
6. COMESA supplements its resources with those mobilised from its partners, as stipulated under Article 166 (4), read together with Article 168 (3).
7. It is based on the above considerations and in pursuant of its mandate (Article 169 (3) and 169 (5) that the Council in April 2019 decided that external instruments be submitted for its approval.
8. The Secretary General, in her capacity as Chief Executive Officer of the Common Market: -
9. Has noted the progress made by Auditors General in coming up with instruments, as required by the Council. A report is presented as Agenda Item no. 8.2.
10. Shall submit a framework, to: -
11. guide on the roles and relationships between and amongst key players (Council; IC; Committee of Administrative and Budgetary Matters; and Sub Committee on Audit and Budgetary Matters; Secretary General; and Heads of COMESA Organs and Institutions, to be audited by the Auditors General) that are charged with responsibilities in respect of governance and assurance processes, as required by standards and best practice; and
12. ensure the preservation of 7 Pillar status of COMESA and facilitate Secretariat’s preparation itself for the new 9 pillar assessment in 2019, as decided by the 7th Extraordinary Meeting of the Council on 5 April 2019.

**Discussion**

1. To complete at the meeting

**Recommendation**

1. **The Sub Committee on Audit and Budgetary matters is invited to note that 2018 audit of COMESA Organs (Secretariat and Court of Justice) and other COMESA Institutions (Competition Commission; FEMCOM; Regional Investment Agency; and Africa Leather & Leather Products Institute) awaits finalisation of external audit instruments.**