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Twentieth Meeting of the Sub-Committee on

Audit and Budgetary Matters

28 October – 1 November 2019

Lusaka, Zambia

**EXTERNAL AUDIT INSTRUMENTS – REPORT OF THE AUDITORS GENERAL**

**(Agenda item 8.2)**

1. Secretariat is hereby forwarding a Report of the 2nd Meeting of Auditors General from Member States of COMESA, which was held on 10 October 2019 in Lusaka, Zambia. The Report is presented at Annex [….].

**Context of the Meeting**

1. The above Meeting of the Auditors General: -
2. follows their appointment by Council in October 2016, as External Auditors of COMESA Organs ***(COMESA Secretariat; COMESA Court of Justice)*** and other COMESA institutions ***(Competition Commission; FEMCOM; Regional Investment Agency; and Africa Leather and Leather Products Institute)***.
3. reviews the progress made by COMESA Board of External Auditors (COBEA) in coming up with instruments, as identified and agreed by the 1st Meeting of Auditors General, held from 6 – 9 March 2018, specifically: -
4. Audit Charter, for the approval of Council;
5. Standing Operating Procedure Manual, which should provide for qualification and experience of working teams and preparation of budgetary requirements;
6. Quality Control Assurance Manual;
7. Rules of Procedures; and
8. Audit Calendar.
9. was mandated to come up with external audit instruments in line with the decision made by the Council of Ministers at their 7th Extraordinary Meeting on 5 April 2019, at which it was decided as follows: -
10. 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;
11. The preservation of the 7 Pillar status of COMESA should be a key consideration in the finalization of the above instruments; and
12. The Instruments should facilitate the Secretariat to prepare itself for the new 9 pillar assessment.
13. The instruments shall address and or be aligned with the following provisions under the Treaty: -

**Article 169 (2):** 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 (3):** 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 (4):** 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 (5):** 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.

1. The above specific Treaty provisions have given enabling effective roles to those charged with governance responsibilities, as well as ensuring that external auditors are adequately independent of the organisation. To preserve these provisions, the instruments shall be processed through COMESA’s rule-making process, which involve its Legal Structures advising COMESA Policy Organs.

**Outcome of the Meeting**

1. The Auditors General came up with the following agreement and recommendations: -

***ISSUE 1: ALIGNMENT OF THE NEW EXTERNAL AUDIT FRAMEWORK TO THE TREATY PROVISIONS***

1. *The following recommendations were made to Council;*
2. *That the process for the review of Article 169 of the COMESA Treaty be referred to the Ministers of Justice and Attorney Generals.*
3. *That the review process of the COMESA Treaty be aligned to the requirements of the United Nations General Assembly Resolutions A/66/209 relating to independence of SAIs and International Standards of Supreme Audit Institutions (ISSAI).*

***ISSUE 2: ADDRESSING PILLAR ASSESSMENT REQUIREMENTS***

1. *The Meeting recommends to council as follows;*
2. *Provisions under the EU pillar 3 on external audits be incorporated in the COMESA External Audit Charter and audit manual inorder to uphold the EU pillar assessment status.*
3. *The development of the COBEA Audit manual should be undertaken by COBEA and be submitted to the Auditors general for adoption and onward submission to COMESA Organs.*

***ISSUE 3: CONSIDERATION OF AUDIT CHARTER***

1. *The Meeting agreed as follows;*
2. *That inputs into the draft audit Charter be submitted by SAIs over a period of two weeks from the end of their Meeting. The amended draft will be adopted electronically for onward submission by Secretariat to the COMESA policy Organs.*
3. *Quality assurance willbe undertaken every three years by INTOSAI/AFROSAIMembers of COMESA who are not members of COBEA.*
4. *The COBEA structure be revised to reduce the human resource gap at national SAIs and reduce the period of the external audit as provided for in the proposed amended structure to be considered at the next Meeting.*
5. *Reservation: Egypt and Eritrea expressed concern regarding the deferring the adoption of the Charter despite the time taken by the experts to prepare it.*

***ISSUE 4: CONSIDERATION OF AUDIT MANUAL***

1. *The Auditors Generals recommend to the Council, that Pending the customisation and finalisation of the COBEA External Audit Manual, the AFROSAI-E Financial audit manual be adopted.*

***ISSUE 5: CONSIDERATION OF STANDARD OPERATING PROCEDURE MANUAL***

1. *That the Standard Operating Procedure Manual be prepared and submitted to the Auditors General for approval.*

***ISSUE 6: CONSIDERATION OF QUALITY CONTROL ASSURANCE MANUAL***

1. *Pending the customisation and finalisation of the COMESA Quality Control Assurance Manual which includes a peer review mechanism, the Auditors Generalrecommend that the AFROSAI-E Financial audit manual be adopted in the interim period by the Council of Ministers.*

***ISSUE 7: CONSIDERATION OF RULES OF PROCEDURES***

1. *That the Rules of procedures for COBEA be drafted and submitted to the next Meeting of the Auditors General for onward submission to Council for approval.*

***Other matters deliberated at the Meeting***

***ISSUE 8: OUTCOME OF THE COBEA AUDIT ON THE 2017 COMESA SECRETARIAT FINANCIAL STATEMENTS***

1. *The Meeting was briefed by COBEA that its report on the 2017 Secretariat financial statements was adopted as an internal report by the Council of Ministers on 5th April 2019. COBEA expressed concern that they were not adequately represented at the Meeting.*
2. *The Secretariat explained that the COBEA Chair represented COBEA at the Meeting where Council adopted the COBEA report as an internal one.*
3. *The Meeting noted the circumstances which led to the decision taken by the Council.*

***Recommendation***

1. ***The Meeting underscored the need to expedite the completion of the instruments to facilitate the audit of COMESA Organ and its institutions by Auditors General.***

***ISSUE 9: 2018 EXTERNAL AUDIT OF COMESA ORGANS AND OTHER COMESA INSTITUTIONS***

1. The *Meeting noted that COBEA was ready and committed to commence the 2018 external audit of COMESA Organ and its institutions.*
2. The *Meeting noted the COMESA oversight structures includes Audit committee represented by none COBEA Auditors General.*

***Recommendation***

1. ***The Meeting recommended that council be requested to revise the terms of reference of the Sub-Committee on Audit and Budgetary Matters to enhance the robustness of the external audit of COMESA.***

***ISSUE 10: ADOPTION OF THE REPORT***

1. ***After amendments, the Meeting adopted its report.***
2. ***There were also consensus reservations from the Auditors General from Egypt, Eritrea and Burundi on the none adoption of the Charter, Manual, all other instruments and non-determination of a specific starting date for the audit of 2018 financial statements of COMESA Organs and other COMESA Institutions. COBEA assured the meeting that they are ready to start the audit of 2018.***

***Discussion***

1. The Sub Committee on Audit and Budgetary matters noted: -

1. The agreement and recommendations made by the Auditors General, at their meeting; and
2. That the meeting agreed on a time-frame for two (2) weeks to have all offices of Auditors General provide their inputs into the COMESA Audit Charter.

***Recommendation***

1. ***The Sub Committee on Audit and Budgetary: -***
2. ***Considered the Report of the Auditors General on the progress made in coming up with the external audit instruments and recommended its adoption by the Committee of Administrative and Budgetary Matters; and***
3. ***Urged the Auditors General to expedite finalisation of the instruments to guide external audit of COMESA Organs and Its Institutions taking into account issues, as directed by the Council on 5 April 2019. The instruments should be submitted to the next meetings of COMESA Policy Organs in 2020, including their vetting by competent legal structures of COMESA.***