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**COMMON MARKET FOR EASTERN  
AND SOUTHERN AFRICA**

Meeting of Auditors General from COMESA Member States

Lusaka, Zambia,  
10 October, 2019

**DRAFT REPORT OF THE MEETING OF THE AUDITORS GENERAL OF COMESA MEMBER  
STATES ON THE AUDIT INSTRUMENTS**

2019 – LM/KMN-nmn

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## A. INTRODUCTION

1. The 3<sup>rd</sup> Meeting of the Auditors General from COMESA Member States was held on 10 October 2019 in Lusaka, Zambia.

## B. ATTENDANCE, OPENING OF THE MEETING, ADOPTION OF THE AGENDA AND ORGANISATION OF WORK

### Attendance

2. The Meeting was attended by the following Member States: Burundi, Democratic Republic of Congo, Egypt, Eritrea, Eswatini, Kenya, Madagascar, Malawi, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe. The list of participants is attached as Annex 1.

### Opening of the Meeting

3. The Meeting was opened by the Chairperson, from the Republic of Madagascar. He welcomed the delegates to the Meeting. He thanked the Auditors General and the Heads of the Supreme Audit Institutions (SAIs) from the COMESA Member States for taking time from their busy schedules and responsibility at home to attend the Meeting. He commended them for their contribution to good governance in COMESA Organ and its Institutions. The technical experts who met from 7-9 October 2019 in Lusaka to review the audit instruments were commended for the progress attained. The Secretary General (SG) was invited to make her remarks.

4. Her Excellency, Chileshe Mpundu Kapwepwe, Secretary General of COMESA joined the Chair in extending a warm welcome to the Auditors General of COMESA Member States. In expressing her gratitude on behalf of the Common Market, the Secretary General recognised Auditors General continued commitment to COMESA as reflected from their participation as well as allowing their Experts to carry out the work, as decided by the Council.

5. The Secretary General noted that the success of COMESA starts with having an appropriate Corporate Governance framework in place. One of the elements of the framework is to have a robust external audit structure. Since 1994, COMESA Organs and its institutions have been audited by audit firms in line with Article 169 of the COMESA Treaty. Following the decision of the Council of Ministers to have audit undertaken by Auditors General, it is important that the necessary instruments which govern this new Audit Framework be in place. The Secretary General also added that, as required by the COMESA rule-making process, these instruments will be examined by oversight structures to ensure their alignment with the Treaty and other existing legal instruments whilst preserving the independence of external auditors.

6. An external audit framework, comprising of instruments as decided by Council will allow COMESA to benefit from Auditors General's knowledge, as well as preserve the status that COMESA has achieved where our Cooperating Partners, notably EU, USAID, among others, have concluded that COMESA institutional standards, including in the area of external auditing offer safeguards equivalent to Cooperating Partners own rules and regulations. Secretary General briefed the Meeting that the European Union has launched an independent review of COMESA's rules and procedures (including pillar 3: external audit) in the context of nine pillars. The European Union utilizes outcomes of such reviews to determine grant delivery methods. The last similar review of 2015 resulted in COMESA's

designation as being 7 pillars' compliant. Under this status, COMESA has facilitated transfer of funds from Cooperating Partners to Member States.

7. The Secretary General concluded her remarks by thanking Egypt, who as COBEA chair along with Burundi, Eritrea and Ethiopia came up with the initial draft instruments.

#### **Adoption of Agenda and Organisation of Work (agenda item 1)**

8. The Meeting adopted the following agenda:

1. Opening of the Meeting
  - 1.1 Introductory Remarks by the Secretary General
  - 1.2 Adoption of Agenda and Organisation of Work
2. Terms of reference for the Meeting
3. Consideration of Report of Technical Experts from offices of Auditors General
4. Any other business
5. Adoption of report and closure of Meeting

#### **Organisation of Work**

9. The Meeting adopted the following working hours:

Morning Session	:	09.00 –13.00 hours
Afternoon Session	:	14.00 – 17.00 hours

#### **ACCOUNT OF PROCEEDINGS**

##### **Terms of reference for the Meeting(Agenda item 2)**

10. The Meeting noted that the terms of reference for the review of the External audit instruments were issued by the Council of Ministers at their 7<sup>th</sup> Extraordinary Meeting at which it was decided as follows;

- i. ***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;***
- ii. ***The preservation of the 7 Pillar status of COMESA should be a key consideration in the finalization of the above instruments; and***
- iii. ***The Instruments should facilitate the Secretariat to prepare itself for the new 9 pillar assessment.***

11. The Meeting further noted amendments to the COMESA Treaty were required to incorporate the changes made to External Audit Framework of COMESA.

12. The Meeting recognised that the amendment to the COMESA Treaty would facilitate the work of COBEA and if not addressed would create a hurdle.



13. The Meeting also recognized that the independence of external auditors has been debated at a global level at the United Nations(UN) and best practices identified. Their adoption by COMESA would enhance the external audit framework.

14. The Secretariat briefed the Meeting on the Council decisions subsequent to its decision of 2016 to designate Auditors General as COMESA external auditors. These decisions included the recognition for the need to complete the external audit instruments as decided by the Auditors General.

### **Recommendation**

15. The following recommendations were made to Council;

- i. That the process for the review of Article 169 of the COMESA Treaty be referred to the Ministers of Justice and Attorney Generals.*
- ii. 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).*

### **EU Pillar Assessment requirements**

16. With regard to the EU pillar assessment requirements, the Meeting recalled the decision of Council to preserve the EU 9 Pillar assessment status and agreed to incorporate the requirements of Pillar 3 in the audit instruments.

17. The Meeting observed that most of the requirements of the EU 9 Pillar assessment would be addressed through the application of ISSAIs, ISAs and AFROSAI-E Audit Manual adopted by COBEA. Aspects relating to quality assurance would be addressed through the Charter in order to preserve the EU Pillar assessment status.

### **Recommendation**

18. The Meeting recommends to council as follows;

- i. Provisions under the EU pillar 3 on external audits be incorporated in the COMESA External Audit Charter and audit manual in order to uphold the EU pillar assessment status*
- ii. 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*

### **Consideration of Report of Technical Experts from offices of Auditors General (Agenda item 3)**

19. The Secretariat presented the report of the Meeting of the technical experts from the offices of Auditors General in the COMESA Member States held from 7-9 October 2019. The report is presented at Annex1.

20. The Meeting was informed that the Meeting of experts was attended by the following Member States: Burundi, Democratic Republic of Congo, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Madagascar, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe.

21. The report presented included the opening of the Meeting, terms of reference, review of audit instruments, any other business and the adoption of the report and closure of the Meeting. The recommendations under each agenda item were presented to the committee.

## Discussions

### Audit Charter

22. The Secretariat presented the draft External Audit charter that was reviewed and amended by the Technical Experts. He informed the Meeting that the initial draft External Audit Charter was prepared by Egypt in collaboration with the other three COBEA members, namely; Burundi, Ethiopia and Eritrea.

23. The Charter covered: Vision, Mission and Core Values; the setting up of the COBEA and its mandate; Rules of Procedures; Composition and structure of COBEA; Values and Ethics and the Responsibilities of the COMESA Secretary General towards COBEA, duties of the COBEA Chairperson as well as the COBEA Secretary and his/her duties and responsibilities; Rules of procedure and the composition of Audit Teams and their qualifications. Further, the Meeting was briefed about the Scope of the Audits. The Charter also covered the audit process, quality assurance, communication and reporting.

24. The technical experts Meeting proposed that during the transitional period to fully complete the instruments of COBEA, the AFROSAI-E manuals be adopted as the External audit manuals during period prior to completion of the COMESA Audit manual.

25. The Auditors General thanked the technical experts for having developed a comprehensive draft external audit Charter.

26. The Meeting then proceeded to interrogate the draft document.

27. The Meeting sought clarification on whether there would be a permanent secretariat of COBEA. The Meeting was informed that the budgetary limitations would not allow for an employee to be recruited and the COMESA Secretariat, through the Internal Audit unit continues to play the role.

28. The Meeting sought clarification on why Compliance audits were not part of the scope of the external audit. The Meeting was informed that the financial audit will be undertaken annually and that the financial audit includes compliance audits as guided by the international auditing standards. The charter currently provides that other types of audits may be undertaken by COBEA upon the request of Council, however not on an annual basis.

29. The Meeting sought clarification on reporting. The Secretariat informed the Meeting that the Treaty provides that the Secretary General receives the report and sends it to the Member States and the relevant Organs to progress it to the relevant Organs.

30. It was proposed that the COBEA structure be reviewed to reduce the time taken to undertake the audits as the current practice requires the auditors to be away for at least two months thus creating a human resource gap in the SAIs. Two options were suggested; (1) Each Member States to provide one auditor and the Chair to provide two and rotation be

done annually for the chair; (2) 21 Member States be put in 3 groups of 7 and each member state providing 2 auditors and the Chair providing 3 members. This suggestion was based on the UN framework. The Meeting agreed that the proposal including the current practice be considered.

31. The Meeting requested that the Charter should cater for the following
- i. COBEA to be granted read only access to IT systems
  - ii. As all the four Auditors General are required to sign the audit report, provision should be made for what procedures will be taken where the four Auditors General are not in agreement
  - iii. Include the presentation of the external audit report to the Sub-committee on Audit and budgetary matters in the charter
  - iv. Compliance audits to be addressed as provided for in the international auditing standards.
32. During the course of the review the Meeting made changes to the draft Charter which were incorporated therein. The amended draft charter is attached at Annex 2.
33. The Meeting agreed that the charter be subjected to further amendments and circulated to members to finalise it within two weeks and approved online.

#### **Recommendation**

34. The Meeting agreed as follows;
- i. *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.*
  - ii. *Quality assurance will be undertaken every three years by INTOSAI/AFROSAI Members of COMESA who are not members of COBEA.*
  - iii. *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.*

#### **Reservation**

35. ***Egypt and Eritrea expressed concern regarding the deferring the adoption of the Charter in spite of the time taken by the experts to prepare it.***

#### **3.1. Audit Manual**

36. The Meeting noted that the AFROSAI-E financial audit manual and audit programmes were presented to the Meeting for adoption in the interim period until the completion of the customisation of the COMESA manuals and would be prepared and submitted to the Auditors Generals at their next Meeting.

#### **Recommendation**




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

**3.2. Standard Operating Procedure Manual;**

The Meeting was informed that the COBEA Standard Operating Procedure Manual was in the process of being customised by COBEA.

38. The Meeting sought clarification as to whether this document is part of the framework for external auditing.

39. The Meeting recognised that many legal documents guide SAIs at National level and that it was imperative that all the relevant documents be prepared and completed to guide the work of the Auditors General at the COMESA level.

***Recommendation***

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

**3.3. Quality Control Assurance Manual;**

41. The Meeting was informed that the COBEA Quality Control Assurance Manual was in the process of being customised.

***Recommendation***

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

**3.4. Rules of procedures;**

43. The Meeting was informed that the Rules of Procedure were in the process of being prepared. The Secretariat informed the Meeting that there exists a template that would need to be tailored for COBEA.

***Recommendation***

44. ***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.***

**Any other business (Agenda item 4)**

**4.1. Outcome of the COBEA audit on the 2017 COMESA Secretariat financial statements**

45. 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.

46. The Secretariat explained that the COBEA Chair represented COBEA at the Meeting where Council adopted the COBEA report as an internal one..

47. The Meeting noted the circumstances which led to the decision taken by the Council.

#### Recommendation

48. *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.*

#### 4.2. 2018 external audit of COMESA Organs and its institutions

49. The Meeting noted that COBEA was ready and committed to commence the 2018 external audit of COMESA Organ and its institutions.

50. The Meeting noted the COMESA oversight structures includes Audit committee represented by none COBEA Auditors General.

#### Recommendation

51. *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.*


52. There being no other business the Meeting was closed by the chair and he thanked the delegates for their expert advice and effort. He wished the delegates safe travel back home.

#### Adoption of the report and closing of Meeting (Agenda item 5)

53. After amendments, the Meeting adopted its report.

54. There were 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.

55. After the adoption the Chairperson thanked all the delegates for the teamwork and constructive engagement that resulted in the recommendations to the Council of Ministers



Mr. Rakotonirina Tiana Herizo  
Madagascar  
Chairperson



Mr. Salaheldin Mohamd Osman  
Sudan  
Vice-chairperson

Date 10-10-2019

Date \_\_\_\_\_