



Distr.
LIMITED

CSI/AG/2019/5
September 2019

Original: **ENGLISH**

**COMMON MARKET FOR EASTERN AND
SOUTHERN AFRICA**

Meeting between Secretary General and COBEA Auditors General

COMESA Secretariat
Lusaka, Zambia
11 September 2019

**REPORT OF THE MEETING BETWEEN SECRETARY GENERAL AND COBEA
AUDITORS GENERAL**

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INTRODUCTION

1. The Secretary General and COBEA Auditors General held a meeting at COMESA Headquarters, Lusaka, Zambia on 11 September 2019, aimed at agreeing on timelines for submission and approval of instruments by COMESA Policy Organs, regarding external audit of COMESA Secretariat and its institutions by Auditors General through the framework of COBEA.
2. The list of participants is attached, as Annex 1.

OPENING OF THE MEETING (*Agenda Item 1*)

Moment of Silence

3. The meeting started with a moment of silence in honour and memory of His Excellency, Robert G. Mugabe, former President of the Republic of Zimbabwe and one of the founding fathers of PTA – the precursor to COMESA, who passed on 6 September 2019.

Statement by the Secretary General

4. Her Excellency Chileshe Mpundu Kapwepwe, the Secretary General of COMESA, delivered her remarks to the Meeting. She welcomed the Chairperson of COBEA, the President of the State Accountability Authority of Egypt, the Auditors General of Burundi and Eritrea and the Deputy Auditor General of Ethiopia.
5. The Secretary General welcomed the distinguished Auditors General to the COMESA Secretariat. She recognised that despite their heavy work schedules, they have had to make this mission to further the objectives of COMESA. She, therefore, expressed her appreciation for their commitment to COMESA.
6. The Secretary General stated that the meeting is being convened to enable an agreement on a Road Map, outlining key activities to be carried out towards addressing the decisions made by the Council at its 7th Extraordinary Meeting held on 5 April 2019 pertaining to instruments to facilitate audit by Auditors General. She noted that these activities should be carried out between September and November 2019, when Council is expected to consider the report. The Road Map adopted at this meeting will enable the parties to assign and allocate resources to ensure full implementation of the decisions of the Council.
7. The Secretary General assured the COBEA Auditors General that the Secretariat is implementing the recommendations made in the 2017 COBEA Audit Report. She recalled that the draft 2017 COMESA Secretariat financial statements had for the first-time incorporated funds from both Member States and Development Partners.
8. She also assured the Auditors General that through decisions of the Council, the Secretariat has had to complete external audits on grants for 2017 and 2018. This has enabled COMESA to continue implementing its work programme, whilst process of developing of COBEA external audit instruments is underway. She noted that as of September 2018, it is only the component of Member States funds, which is yet to be audited for 2017.



9. The Secretary General informed the meeting that preparations for forthcoming nine (9) pillar assessment to be carried by EU designated external auditor is underway. To-date, details regarding entity rules, regulations and procedures, as well as their effectiveness have been submitted to the EU. Field work will commence in October 2019.

Statement by the COBEA Chairperson

10. Counsellor Hesham Abdel Salam Badawy, President of State Accountability Authority of Egypt and Chairperson of COBEA gave remarks on behalf of COBEA and on his own behalf. He begun by expressing appreciation and trust that the Council has bestowed on COBEA.

11. The Chair noted that the responsibility to deliver on this mandate is placed on both COBEA and the COMESA Secretariat. The Chair emphasised on importance of good corporate governance and that independence of external audit enhances good corporate governance. He noted that good corporate governance ensures that COMESA is able to achieve its objectives in an effective and efficient manner.

12. The Chair of COBEA expressed his confidence to the meeting that instruments, as approved by the Council will be in place to facilitate the audit of 2018.

13. The Chair noted that COBEA Auditors General represent countries that are Member States of COMESA, first. In this context, the Chair of COBEA assured the meeting of the integrity, independence and professionalism of COBEA audit staff, who carry out their mandate in accordance with applicable international standards on auditing (specifically ISSAI and AFRO SAI [E]).

14. The Chair also briefed the meeting that as current Chair, Egypt has taken the initiative to prepare instruments, as requested by the meeting of Auditors General held in March 2018. These documents, which are in line with the decision made by the Council at its meeting held on 5 April 2019, have been forwarded to the Secretariat. He also noted that the Draft COBEA Charter and proposed manual are all derived from ISSAI and AFRO SAI [E].

15. The Chair acknowledges the important role of COMESA in enhancing economic integration by Member States. He noted Egypt's commitment to COMESA and its support to all the activities and programmes of COMESA, such as the 50 Million African Women Speak Project which has the potential to improve economic well-being of women business entrepreneurs. In this regard, he recognised that Egypt had fully remitted its assessed contributions for 2019. In addition, he congratulated COMESA on the Silver Jubilee anniversary in 2019 and the impact of the High-Level Business Summit held in Nairobi, Kenya in June 2019. He noted that such fora afford Member States to engage and become aware of opportunities available in COMESA.

16. On behalf of Egypt, he welcomed COMESA's participation at the event of African Integration Support planned for Aswan, Egypt from 16 – 17 September 2019, the PIDA week in November 2019 as well as Africa Peace Forum scheduled for December 2019.



ADOPTION OF AGENDA AND ORGANIZATION OF WORK (Agenda Item 2)

17. The meeting considered and adopted the following Agenda: -
1. Statements by Secretary General and COBEA Chairperson.
 2. Adoption of the Agenda and Organization of Work.
 3. Consideration of Road Map and timelines for submission and approval of instruments by COMESA Oversight Organs regarding external audit of COMESA Secretariat and Its Institutions by Auditors General.
 4. External audit of 2018 financial statements of COMESA Secretariat and Its Institutions.
 5. Any other business
18. The meeting also adopted their organisation of work.

CONSIDERATION OF ROAD MAP AND TIMELINES FOR SUBMISSION AND APPROVAL OF INSTRUMENTS BY COMESA OVERSIGHT ORGANS REGARDING EXTERNAL AUDIT OF COMESA SECRETARIAT AND ITS INSTITUTIONS BY AUDITORS GENERAL (Agenda item 3)

19. The Secretariat informed the COBEA Auditors General in its communication of 15th May 2019 of the outcome of the 7th Extraordinary Meeting of the Council of Ministers held in Lusaka, Zambia on 5 April 2019.

20. The 7th Extraordinary Meeting of the Council considered, among other issues, a Report of the Ministerial Select Committee on the 2017 financial statements and external audit by COMESA Board of External Auditors (COBEA), thereon. The Secretariat further informed the meeting that pursuant to the mandate given by the Council on November 2018, the Ministerial Select Committee met on 18 January 2019. The mandate given by the Council to the Ministerial Select Committee is re-stated below: -

“Paragraph 66: In view of the discussions under paragraph 69 above Council decided: -

- i. 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;***
- ii. That the Select Committee be convened in the second week of January, 2019;***
- iii. That the report of the Select Committee be submitted to an Extra Ordinary meeting of Council of Ministers to be held in February, 2019;***



- iv. ***A status report on the implementation of Council decision for the last 5 years be circulated to Member States before presentation to IC at its next meeting; and***
- v. ***The Audit Charter for COBEA be developed.***

21. The Secretariat also informed the meeting, that its meeting held on 5 April 2019, the Council of Ministers: -

1. ***Recalled*** that in October 2016 at its 36th Meeting held in Antananarivo, Madagascar, the Council made a decision to appoint Auditors General of Member States as external auditors of COMESA Organs and Institutions and that a framework to operationalize this decision be put in place;
2. Also ***Recalled*** that that in Nov 2017, at its 37th Meeting held in Lusaka, Zambia, the Council mandated the Auditors General of Member States to examine and recommend the framework for External Audit of COMESA Secretariat and Its Institutions.
3. Further ***Recalled*** that the Auditors General of COMESA Member States at their meeting held in Lusaka, Zambia from 6-9 March 2018, among other issues agreed and recommended the following: -

(A) Urgent need of audit instruments

- (i) Audit Charter for the approval of Council;
- (ii) Standing Operating Procedure Manual, which should provide for qualification and experience of working teams and preparation of budgetary requirements;
- (iii) Quality Control Assurance Manual
- (iv) Development of Rules of Procedures
- (v) Preparation of the Audit Calendar

(B) Designation of Auditors General to carry external audits of COMESA Organs and Institutions

That Auditors General of Burundi (Chair); Egypt; Eritrea and Ethiopia to constitute COBEA Board of External Auditors (COBEA) and carry out the external audits for 2017; 2018; and 2019.

22. The Secretariat further informed the Council of Ministers that in Nov 2017, it mandated the Bureau to consider and operationalize the framework for External Audit of COMESA Secretariat and Its Institutions. On 23 May 2018, the Chair (Madagascar) communicated Bureau's approval on the above recommendations made by Auditors General of COMESA Member States.

23. After consideration and deliberations, the of Ministers (in April 2019) decided as follows: -

Paragraph 49: Council decided that: -

- 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.**

Paragraph 57: Council took the following decisions: -

- i. **Adopted the reports of the Ministerial Select Committee and 2017 COBEA report as an internal report; and**
- ii. **Directed the Secretariat to implement the 2017 COBEA audit report recommendations and submit its report to Council until all matters are fully addressed.**

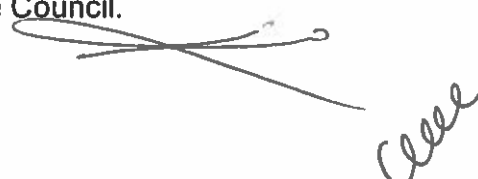
24. The Secretariat also informed the meeting that on 7th June 2019, the Secretary General:-

- (i) **Recognised the speedy progress made by COBEA in developing the draft instruments identified in the framework, as presented by the Auditors General in their meeting on March 2018;**
- (ii) **Brought to the attention of Egypt, as current Chair of COBEA of the following milestones: -**

Milestone 1: Convening Auditors General of all COMESA Member States to review and finalise draft audit instruments. This is in line with the decision of Council of November 2017, when it referred the new external audit framework by Auditors General to be examined by Auditors General from all Member States.

Milestone 2: Consideration of the audit instruments by the COMESA Policy Organs and Committees (Sub Committee on Audit and Budgetary Matters; Committee on Administrative and Budgetary Matters; Inter-Governmental Committee).

Milestone 3: Consideration and approval by the Council.

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25. The Secretariat briefed the meeting that the next meeting of the Council of Ministers is scheduled to take place in Lusaka, Zambia on 29-November-2019, with the following meetings taking place earlier: -

- (i) Inter-Governmental Committee 26 – 27 November 2019
- (ii) Committee on Administrative & Budgetary matters: 13 - 15 November 2019
- (iii) Sub Committee on Audit and Budgetary matters: 28 October to 1 November 2019

Discussions

26. In the discussions that ensued, the Meeting noted the following: -

- (i) A concern by COBEA Auditors General that all COBEA Auditors General should have attended the 7th Extraordinary Meeting of the Council held on 5 April 2019, where the Report of COBEA was adopted, as an Internal Report. Notwithstanding the decision of the Council, COBEA Auditors General observed that their report should have been considered as an external report and not Internal Report.
- (ii) COBEA Auditors General should have been afforded an opportunity to defend their report before the 7th Extraordinary Meeting of the Council;
- (iii) Notwithstanding the above concern, the COBEA agrees on the way forward regarding future audits by Auditors General, through COBEA; and
- (iv) That the next audit by COBEA be carried out after the instruments have been considered and approved by COMESA Policy Organs.

27. The Secretariat informed the Meeting that the:-

- (i) decision by the Council addressed the root cause of the issues faced by COMESA during the examination of the COBEA Report, which was the 1st audit by Auditors General;
- (ii) The implementation of 2017 COBEA Report will be fully reported to the Council;
- (iii) COBEA was represented by its Chairperson, at its 7th Extraordinary Meeting of the Council; and
- (iv) Final decisions were made in closed session of the Ministers only, where Secretariat and COBEA Chairperson were not in attendance.

AGREED CONCLUSIONS

28. The Meeting agreed on the following next steps: -

- (i) That the instruments, as drafted by COBEA Chair (Egypt), be circulated to the offices of Auditors General and the Secretariat. The following instruments shall be reviewed by the Auditors General: -



- a) **Audit Charter for the approval of Council;**
 - b) **Standing Operating Procedure Manual, which should provide for qualification and experience of working teams and preparation of budgetary requirements;**
 - c) **Quality Control Assurance Manual**
 - d) **Development of Rules of Procedures**
 - e) **Preparation of the Audit Calendar**
- (ii) **That the meetings be convened by the COMESA Secretariat, as follows: -**
- (a) **Technical level of Experts (comprising of officials up the level of Director of Audits and or equivalent): 7 to 9 October 2019; and**
 - (b) **Auditors General level (comprising of Auditors General and not below Deputy Auditors General: 10 to 11 October 2019.**

EXTERNAL AUDIT OF 2018 FINANCIAL STATEMENTS OF COMESA SECRETARIAT AND ITS INSTITUTIONS (Agenda Item 4)

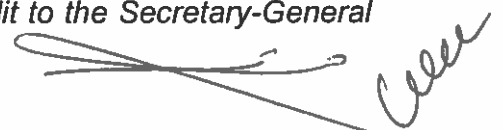
29. The Secretariat informed the meeting noted that: -

- (i) Given the agreed timelines for processing of audit instruments it is likely that the audit of 2018 financial statements will not take place in line with times, as stipulated under the Treaty; and
- (ii) The above situation will result in COMESA losing its seven (7) pillar status, at the forthcoming independent pillar assessment due in October 2019. This risk should be mitigated, as resources from Cooperating Partners make up over 70% of COMESA resources.

30. The Secretariat also informed the meeting of provisions regarding annual financial statements and external, as provided under the Treaty as highlighted below: -

ARTICLE 169 (Accounts of the Secretariat and External Auditors)

1. *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.*
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.*
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.

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.*
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.*

31. The Secretariat added that it is raising this matter to explore options with COBEA, which can then be submitted to the Bureau for a decision regarding the external audit of 2018 financial statements of COMESA Secretariat and Its Institutions.

Discussions

32. In the deliberations that ensued, the COBEA Auditors General raised the following:

-

- (i) Use of AFRO SAI [E] was adopted by Auditors General held in March 2018 to guide the audit by COBEA on 2017 Financial Statements and pending preparation and approval of audit instruments to guide Auditors General; and
- (ii) That it is imperative that the instruments, as approved by the Council be prepared and approved by COMESA Policy Organs, before the audit of 2018 financial statements is carried out by COBEA.

33. The meeting noted that instruments, as required can only be in place after the meeting of Council at the end of November 2019. The following deliberations took place:-

Option 1

Delay the commencement of audit of 2018 financial statements to say, January 2020 when the instruments to guide the work of COBEA are in place.

Option 2

Consider a bridging gap, where alternative external audit arrangements are explored. This will enable COMESA to preserve its nine (9) pillar status.

34. Following consultations among themselves, the COBEA Auditors General unanimously agreed and expressed their readiness to:-

- (i) commence with the audit of the Secretariat and its Institutions for 2018 financial statements, starting from September 2019 based on ISSAI; AFRO SAI (E) and other international standards;



- (ii) work with the Secretariat in preventing the challenges, which occurred during the audit of 2017 COMESA Secretariat and its Institutions; and
- (iii) Work towards finalizing instruments, as approved by Council to guide the audit of Secretariat and its Institutions.

35. The COBEA Auditors General observed that: -

- (i) ISSAIs and AFRO SAI [E] manual, are appropriately adapted for the Secretariat and Its Institutions;
- (ii) it is not appropriate for COMESA to revert to alternative external audit arrangements, specifically utilisation of private audit firms, whilst audit instruments are being developed; and
- (iii) In their view, the challenges which arose during the processing of COBEA 2017 Audit Report did not arise from absence of instruments; and
- (iv) the instruments have to be developed and adopted to guide the audit of COMESA Secretariat and its Institutions by COBEA.

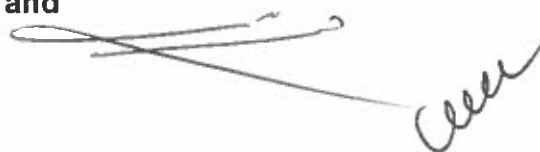
36. The meeting took note of: -

- (i) COBEA's reservation on the option to resort to private auditors for 2018 financial statements and their willingness to commence the audit in September 2019, despite the required instruments not being in place; and
- (ii) The Secretariat expressed its concern about the audit commencing without audit instruments, as directed by the Council. Furthermore, given the roadmap for the development and adoption of audit instruments and the planned nine (9) pillar assessment to be conducted by the EU auditors from October 2019, the proposed commencement date of September 2019 is not feasible. Nine (9) pillars audit, which take place every five (5) years are critical for EU and other Cooperating Partners to continue providing resources to COMESA.

AGREED CONCLUSIONS

37. **The Meeting:-**

- (i) recognised the significance of instruments, as approved by the Council to guide the audit by Auditors General through COBEA;
- (ii) Noted that, the Secretariat will update the Bureau on the progress towards preparation of instruments to guide, as well as seek their guidance regarding the audit of 2018 Financial Statements;
- (iii) Recognised that both, COBEA and COMESA Secretariat are working for the benefit of COMESA Member States; and



- (iv) Noted that proper procedures necessary for approving audit instruments shall be up-held.

ADOPTION OF THE REPORT AND CLOSURE OF THE MEETING (*Agenda Item 5*)

38. The meeting adopted its Report.

39. The Chair of COBEA also thanked Secretariat for their facilitation and fellow COBEA Auditors General for their valuable contribution.

40. The Secretary General thanked the COBEA Auditors General for their participation and constructive engagement in the meeting. She advised the meeting that a progress report will be availed to the Bureau.



H.E. Chileshe Mpundu
Kapwepwe

COMESA SECRETARY
GENERAL



Counsellor Hesham Badawy

PRESIDENT OF STATE ACCOUNTABILITY
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