COMESA Board of External Auditors (COBEA) Charter



**COBEA CHARTER**

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**ABBREVIATIONS**

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| **ACRONYM** | **DESCRIPTION** |
| **COMESA**  | **Common Market of Eastern and Southern Africa.**  |
| **COBEA**  | **COMESA Board of External Auditors.**  |
| **AFROSAI-E Manual**  | **Audit Manual Prepared by AFROSAI-E**  |
| **CAT**  | **COBEA Audit Teams.**  |
| **Council**  | **COMESA Council of Ministers**  |
| **ML**  | **Management Letter**  |
| **DSA**  | **Daily Subsistence Allowance**  |
| **ISSAIs** | **International Standards of Supreme Audit Institutions** |
|  |  |

# 1. COBEA Vision, Mission and Core Values

**Vision**: To be an efficient and effective Audit Body that provides appropriate audit services to COMESA, striving to reach the best International practices in Intergovernmental sector auditing to improve COMESA operations and its governance practices.

**Mission**: To give reasonable assurance that COMESA funds are managed efficiently and economically through the provision of independent external audit services and that its financial statements represent a true and fair view of its financial position, financial performance and its cashflows.

**Core Values**:

**The Core values of COBEA are the following:**

1. **Independence**: COBEA shall carry out its work freely and in an objective manner without undue influence and shall neither seek nor receive instructions from any individual member state. The auditors are and shall be perceived to be independent through signing of the code of ethics; shall be objective in dealing with the audit issues; and shall be free of personal interest and any external pressure; and shall base their conclusions exclusively on audit evidence obtained in accordance with relevant auditing standards and guidelines.
2. **Integrity**: COBEA shall be transparent and honest in all professional and business relationships.
3. **Objectivity**: COBEA shall not allow bias, conflict of interest or undue influence of others to override their professional or business judgment.
4. **Professional Competence and Due Care**: COBEA shall maintain professional knowledge and skill at the level required to ensure that COMESA receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
5. **Confidentiality**: COBEA shall respect the confidentiality of information acquired as a result of professional and business relationships and, therefore shall not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the COBEA members or third parties.
6. **Professional Behavior**: COBEA shall comply with relevant laws and regulations and avoid any action that discredits the profession.
7. **Continuity**:COBEA shall address continuity through a robust rotation of the SAIs. This also includes annual rotation of the Chairs of the COBEA.
8. **Partnership of all SAIs of Member States and Diversity:** All SAIs of Member States shall participate in COBEA’s activities according to approved rules. Language and Geographical distribution shall be considered in each COBEA cycle.

# 2. Setting up of COBEA and its mandate:

**2.1 Background**

1. At its Thirty Sixth Meeting of the Council of Ministers on Administrative and Budgetary Matters held in Antananarivo, Madagascar, 14-15 October, 2016, Council decided that:
2. 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.
3. The audit of projects shall be undertaken by independent audit firms.
4. Furthermore, at its Thirty Seventh Meeting of the Council of Ministers on Administrative and Budgetary Matters held in Lusaka, Zambia, 3-4 November 2017, Council decided:
5. ***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;***
6. ***That the Bureau be mandated to: -***
7. ***receive and operationalise the Road Map to be submitted by the Auditors General; and***
8. ***Upon receipt of the Road Map, decide on the external audit of 2017 annual financial statements of COMESA Secretariat and its Agencies.***
9. Pursuant to the decision of the Thirty Seventh meeting of the Council of ministers, the auditors general met in Lusaka Zambia from 6-9 March 2018 to develop the External Audit framework.

They recommended to the Bureau the following elements of the framework of the external audit for the COMESA Organs and Institutions:-

* 1. ***Arrangement: establishment of COMESA Board of External Auditors (COBEA). The COBEA should have four Supreme Audit Institutions (SAIs);***
	2. ***Composition/ Membership of COMESA Board of External Auditors (COBEA) as reflected in Annex 1***
	3. ***If for any reason, one of the four SAIs is unable to take up its tenure, the next country identified by reference to alphabet and language will take up the slot.***
	4. ***Tenure of each SAI: three years.***
	5. ***Rotation: Rotation after three years, providing for an overlap where one SAI shall serve in two cycles for continuity. In the initial cycle there shall be five SAIs in year three as a transitional mechanism for rotation, with Kenya becoming a member of the COBEA in its third year.***
	6. ***Each SAI assumes Chair of the COBEA in the 3rd year of their tenure. Burundi shall chair the COBEA in its first year, with Egypt and Eritrea assuming Chair in second and Third year respectively.***
	7. ***Transmission of financial statements by the organisation to the COBEA:***
	8. ***Strengthen the existing provision regarding right to access all records and information; and***
	9. ***The four SAIs, who are members of the COBEA to sign the auditors’ report;***
1. COBEA derived its mandate from the above.
2. COBEA’s Audit reports are presented to the Secretary General by the Chair of COBEA in the presence of the other three Auditors General forming COBEA. The Secretary General shall submit audit reports to the concerned committees and the Council.
3. COBEA is required to audit all resources provided towards the implementation of COMESA work programme, make observations, write up findings and comment on the financial statements with respect to the efficiency of the financial management, including the accounting system, the internal controls. In general, COBEA shall evaluate the administration and management of the COMESA, the effectiveness of the use of funds compared with the annual approved budget, and give recommendations in audit reports.
4. In order for COBEA to function, it is its responsibility to form the appropriate audit teams to carry out the task assigned to it in accordance with its mandate. COBEA will determine its own audit procedures as stipulated in article 169 para 3(a) of COMESA Treaty.

# 3. Rules of Procedures of COBEA

COBEA’s Rules of Procedures are derived from Article 169 of the COMESA Treaty and Financial Rules and Regulations of the COMESA that provide the terms of reference governing the external audit of the COMESA.

COBEA shall convene at least annually - normally in April - at the COMESA Headquarter on dates agreed to.

## 3.1. Composition and Structure of COBEA

1. Four Supreme Audit Institutions (SAIs) of Member States, shall be appointed by Council of Ministers to the COBEA based on Geographical and Linguistic requirement (as mentioned in Annex (1)).
2. The tenure of each SAI member to COBEA shall be limited to three years.
3. The Chairpersonship of COBEA is based on the principle of equal sharing of the Chairpersonship, on annual basis identified by reference to alphabet and language and the Chairpersonship is assumed on the 1st of January every year from the member whose Chairpersonship term ends on 31st of December of the preceding year according to Annex (1).
4. There shall be rotation of SAIs every three years, providing an overlap where one SAI shall serve in two cycles for continuity.
5. If for any reason, one of the four SAIs is unable to take up its tenure, the next country identified by reference to alphabet and language will take up the slot, by consequence, and if the Chairpersonship becomes vacant due to the Chairperson ceasing to be a member of the Board, his/her successor shall assume the Chairpersonship for the full period.
6. Each SAI of COBEA assumes Chair of the COBEA during the three year of their tenure. The first SAI will chair the COBEA in its first year and the other two member states will chair in second and third year respectively. In the 3-year tenure, one Member State will not have the opportunity to chair COBEA. It will be the Chair once it reaches its next tenure.

## 3.2. Code of Ethics:

This document is yet to be developed. In the interim, the AFROSAI-E manual will be used as a guide on Code of Ethics.

## 3.3. Responsibilities of COMESA Secretary General towards COBEA:

The Secretary General shall be responsible to:

1. Prepare financial statements in accordance with the IFRS and in the manner required by COMESA Treaty (article 169).
2. Establish and maintain internal controls necessary to:

* 1. Enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
	2. Provide reasonable assurance that adopted policies and prescribed procedures are adhered to, and errors and irregularities, including fraud and illegal acts, are prevented or detected.
1. Provide COBEA access to:
	1. All information which are relevant to the preparation of the financial statements such as records, documents, breakdown of all accounts and other matters.
	2. Any additional information that COBEA may request from management for the purpose of the audit; and
	3. Unrestricted access to persons within the entity from whom COBEA determine it is necessary to obtain audit evidence.
2. Prior to commencement of the audit, submit the draft signed financial statements(including notes and breakdowns of all accounts) to COBEA a month earlier. This draft shall be signed by the Director of Budget and Finance or the officer in charge on the dates agreed upon.
3. Sign the statement of responsibility for the fair representation of the annual financial statements before the Board of Auditors sign the audit opinion on the final accounts of the COMESA Secretariat.
4. Circulate signed copies of External Auditors reports to every Member State and pass them through the Sub-committee on Audit and Budgetary Matters, the Committee on Administrative and Budgetary Matters, and the Intergovernmental Committee for examination and recommendations before they are submitted to the Council for adoption in accordance with Article 169 of the COMESA Treaty.
5. Ensure adequate budgetary, administrative and logistical provisions for COBEA’s activities.

## 3.4. The Responsibilities COBEA Chairperson:

The COBEA Chairperson shall be responsible to:

1. Develop the provisional agenda for the COBEA audit related meetings in coordination with the other members of COBEA;
2. Chair audit meetings of COBEA meetings.
3. Sign the Engagement Letters with each entity to be audited .
4. Develop the audit strategy, communicate with management and operationalize it in line with the audit plan.
5. Cooperate with other SAIs in the preparation and finalisation of the audit strategy and the audit plan. Plan, Organize, Coordinate and Supervise COBEA audit activities. .
6. Submit the draft audit report including the opinion to the COMESA Secretary General for comments within agreed timelines.
7. Present the report of COBEA to the Sub Committee on Audit and Budgetary matters and any other organ of COMESA.

## 3.5. Representation of COBEA

1. The Chair and the Overall Audit teams Supervisor of COBEA shall represent COBEA at all meetings where the COBEA audit reports are subject for discussion or adoption, but if for any reason, it is impracticable for any one of them to attend, he/she can assign a representative on behalf of him/her from other COBEA members.
2. The four Auditors General, who are members of COBEA shall sign the Management letters and Audit Reports.

# 4. Composition of COBEA Audit Teams (CAT)

COBEA Audit Teams (CAT) are derived from COBEA to discharge its mandate in compliance with Article 169 of COMESA treaty and the above-referred Council decision. The following rules govern the work of CATs:

## 4.1. Staffing and timing of various audits

1. CATs comprise of four audit teams appointed by each SAI member of COBEA.
2. COBEA shall constitute Auditors General, Deputies Auditors General, overall audit teams' supervisor, Teams Leaders and Auditors. Teams Leaders and Auditors shall be deployed to various audit entities to conduct the audits. Whereas the Deputies Auditors General and Auditors General shall conduct final quality control procedures before the submission of the management letters and final audit reports.
3. Each SAI member of COBEA shall provide three auditors one of them will be a team leader except for the Chair of COBEA who shall in addition provide an overall audit teams' supervisor who will be based at the COMESA Secretariat.
4. The Chair of COBEA shall form four audit teams. Every team shall comprise of a team leader and one or more auditors. The audit teams shall consist of a mix of COBEA Member States.
5. The overall audit supervisor shall coordinate the four audit teams, review the quality of work of audit teams and communicate with COMESA management to facilitate the audit process.
6. The audit period shall be scheduled in the engagement letter in line with COMESA Treaty starting from the submission of signed draft financial statements of COMESA and its organs as agreed by COBEA members and will include the following phases: audit planning; fieldwork; review of audit working papers and reports, submission of draft management letters, receipt and review of management response, exit conference and submission of the final management letters and final audit reports to COMESA management.

## 4.2. CAT Qualifications

Each COBEA member should ascertain that its assigned auditors have the following professional qualification and skills to perform the audits:

1. Hold the designations and qualifications required within their respective nations to carry out the task of external auditing of public or private sector.
2. Have knowledge and experience in auditing and examining public sector operations according to the INTOSAI and IFAC Auditing Standards at the tasks entrusted to them.
3. Have good knowledge of English language as it is the working language of COBEA.
4. Each CAT member shall be familiar with audit management software tools for the effective and efficient collaboration with other engaged team members to enable auditors execute computer assisted audit techniques.

## 4.3.Scope of Audit:

COBEA performs audits in accordance to the International Standards of Supreme Audit Institutions (ISSAIs) issued by INTOSAI and International Standards on Auditing (ISA) issued by International Federation of Accountants (IFAC).

COBEA scope of audit includes **Financial audit** which embraces:

* 1. Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements;
	2. Audit of financial systems and transactions, including an evaluation of compliance to statutes and regulations;
	3. Audit of internal control and internal audit functions to assess reliability on it, but not for the purpose of expressing an opinion thereon;
	4. Audit of the probity and propriety of administrative decisions taken within the audited entity;
	5. Reporting of any other matters arising from or relating to the audit that COBEA considers necessary to disclose;
	6. Providing reasonable assurance that the financial statements are prepared according to applicable reporting framework and present fairly in all material respects the auditee's financial position and its financial performance and cash flows.
	7. Obtaining sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements;
	8. Performing specified audit procedures to help identify instances of noncompliance with other laws and regulations that may have a material effect on the financial statements; and
	9. Responding appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the audit of the financial statements.
	10. COBEA may undertake other types of audits including Compliance audits, Performance audits and any other types of audits at the request of Council.

## 4.4. Conduct of audits

#### 4.4.1. Audit planning phase

Assigned members of COBEA (Chair, Supervisor and Team leaders of audit teams) hold a planning meeting once the Secretary General submit the signed draft final financial statements of COMESA and its organs - to discuss:

1. Preparation of the schedule Audit dates;
2. Preliminary assessment of work to be performed and building partnerships;
3. Revision of background information; undertaking risk assessment, calculating the materiality level, preparing Engagement Letters and documenting the work done using the COMESA audit manual working papers;
4. Designing the overall audit strategy; audit methodology, scope and work plan; and
5. Updating the permanent file for each audited entity by its team leader.

#### 4.4.2. Fieldwork Audit:

As per the scheduled audit dates, the Team leaders will start the audit process in the audited entities with assigned teams’ auditors as follows:

1. Entrance meeting with the Institutions Managements to submit the engagement letter and the prepared list of requirements to the auditee.
2. Each team leader is free to determine the scope, methods and resources required to conduct his / her assigned audit in accordance with the COBEA’s work plan, budget and best auditing standards and guidelines. The objective should be to obtain the adequate assurance to discharge the COBEA's mandate in the most efficient manner.
3. Conduct the audit in line with the requirements of the COMESA audit manual.
4. Examine the financial statements and supporting files (Trial balance, ledger, etc.).
5. Prepare Audit working papers for the Current file.
6. Raise queries (as in COMESA Manual) to be reviewed by team leader and to be submitted to management and follow up management response.
7. The Team leader shall ensure that the work of the team is applied as per professional standards and that they are maintained in the course of audits. This is achieved through reviews of audit plans, management letters and reports. He/She also reviews any specific topics if needed.
8. Issue draft management letter.
9. Conduct exit meeting at each audited entity to submit drafts of Management letter and audit report and receive signed adjusted financial statements prepared in accordance with applicable International Accounting Standards.

#### 4.4.4 Quality control review

1. The Quality control process shall be done in compliance with ISSAIs, ISAs and Audit Manual.
2. The Team Leaders and the Supervisor shall meet at the Secretariat to present the work done (working papers and draft reports) by the audit team of each entity for quality control.
3. The previous mentioned work prepared on a high quality, to be reviewed by the Deputies Auditors General where each Deputy Auditor General must not review the result of work done by the team leader of his origin country.

#### 4.4.5. Submission of audit reports and management letters

1. Reports of the COBEA shall be prepared in English.
2. Upon completion of quality control processes of the External Audit working papers, Draft Audit reports and Draft Management letters shall be prepared and reviewed by COBEA and submitted to the Secretary General for comments within the agreed period.
3. The Secretary General shall respond to the draft Audit reports and draft Management letters within the agreed period.

**4.4.6. Review Management responses and finalizing audit reports:**

1. Teams leaders and Deputies Auditors General shall review the Management responses (considering auditors’ comments on responses to their findings). The final drafts of Management Letters and Audit Reports will be handed over to the Auditors General.
2. Final review of the drafts of Management Letters and Audit Reports will be conducted by the Auditors General prior to the Exit Meetings with the relevant entities.

#### 4.4.7. Exit Meeting

Exit meeting should be held between the Secretariat and COBEA Auditors General, Supervisor and Teams leaders to agree on the Final Management Letter findings and Audit Report.

After the Exit meeting, COBEA will make the necessary adjustments where applicable, and submit the final Management Letter and Audit Report to the Secretary General.

#### 4.4.8. Requirements of Cooperating Partners

The private Auditors’ Reports required by some Cooperating Partners for the projects funded by them shall be provided to COBEA at the beginning of audit process.

#### 4.4.9. Records, databases and working papers

1. Each Team leader shall ensure that each audit has a permanent file and a temporary file.
2. The permanent file which is used as a reference on a continuous basis during and after the audit and the temporary working file which is related to the audited financial year, are part of the database that must be kept by the COBEA secretariat.
3. All records of COBEA such as minutes of the sessions of COBEA, rules of procedure, confidential records of COBEA and etc., should be part of the permanent file, under the custodianship of its Secretariat.
4. Reports and audit working papers of whatever nature related to the activities of the COBEA are the property of the COBEA and shall be kept in such places and in such a manner as the COBEA may direct. And shall be kept at least 10 financial years before taking decision from COBEA for disposal.
5. The successor has the right of access to all working papers and documents, including the electronic form.

### 4.4.10. Audit Costs

COMESA Secretariat and its Organs budget shall be utilized for paying external audit cost which covers air tickets, DSA and other related costs.

# 5. Peer Reviews

COBEA may call voluntarily for Peer reviews of completed audits to be undertaken by member states SAIs that were independent of the audit. These will be undertaken within a minimum period of three years.

# Communication

6.1 Throughout the audit process, both the Secretariat and COBEA shall maintain

 professional and cordial relationships.

6.2 COBEA shall uphold all the relevant provisions of ISSAIs and ISAs to ensure effective and adequate communication with those charged with governance.

# Reporting

# COBEA shall uphold all the relevant provisions of ISSAIs and ISAs on reporting.

# Transitional provisions

1. COBEA will apply the AFROSAI- E audit Manual until the COBEA Audit Manual is prepared **and come into force.**
2. The Charter will come into force immediately after adoption by the Council of Ministers.
3. This Charter may be amended by agreement of the majority of Auditors General of the COMESA member States and adopted by the Council of Ministers.

**Annex (1)**



1. In a 3-year tenure, one Member State will not have an opportunity to be chair but will have this opportunity next time it enters the

COBEA.

1. Five SAIs in year 3, to allow rotation to commence