



cutting through complexity

COMESA-EAC- SADC TCBP

Management letter for the
period ended 31 December
2017

Financial Statement Audit

27 June, 2018

Contents

The contacts at KPMG in connection with this report are:

Cheelo Hamuwele
Engagement Partner

KPMG Chartered Accountants

Tel: +260 211 372 900

cheelohamuwele@kpmg.com

Given Phiri Majula
Engagement Manager

KPMG Chartered Accountants

Tel: +260 211 372 900

mchisanga@kpmg.com

	Page
1. Executive summary	3 - 4
2. Audit objectives, scope and operational overview	5
3. Detailed assessment - prior year	6-7

1. EXECUTIVE SUMMARY

1.1 Background

On behalf of the Common Market for Eastern and Southern Africa (hereafter “COMESA”) EAC-SADC-Tripartite Capacity Building Programme (TCBP), KPMG Chartered Accountants (hereafter “KPMG”) conducted an audit in accordance with the International Standards on Auditing, regarding the Africa Development Bank resources received and managed by COMESA-EAC-SADC-Tripartite Capacity Building Programme for implementation of the Programme.

The purpose of the audit was for the auditor to carry out procedures to determine that:

- the funds received have been used in accordance with the grant agreement;
- the TCBP has maintained the necessary supporting documents, records and accounts in respect of the programme activities; and
- the internal control systems of the organisation are comprehensive, sufficient and adequate.

The engagement was for period ended 31 December 2017.

1.2 Grading for audit observations

The observations are categorised according to the grading of the observations and recommendations and the possible causes of the issues.

The following categories of grading are used:

Rating	Definition
<i>Significant deficiency</i>	A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in our professional judgment, is of sufficient importance to merit the attention of those charged with governance.
<i>Control deficiency</i>	A deficiency in internal control exists when: <ul style="list-style-type: none">• a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or• a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.
<i>Other matter</i>	An other matter is a deficiency in administrative processes that, in our professional judgment, does not meet the definition of a significant deficiency or control deficiency.

1.3 Overall Assessment

Based on the results of procedures carried out, the overall level of internal control with respect to the programme's operations is considered comprehensive, sufficient and adequate.

1. EXECUTIVE SUMMARY contd

1.4 Highlights

This letter contains 1 recommendation, which is considered as an other matter as per the definitions stated in section 1.2 Grading for audit observations. These recommendations are summarised below and detailed in section 4.0 Detailed assessment.

Management should consider strengthening its management practices in the following areas:

- Unused Air tickets refunds.

1.5 Good Practices observed

- Expenditure tested was authorised in accordance with the Africa Development Bank and COMESA procurement manual and guidelines of July 2012;
- The COMESA-EAC-SADC-TCBP had an appropriate and adequate financial accounting manual;
- TCBP utilised funds received in accordance with the Protocol of agreement and for the purposes of the Tripartite Capacity Building Programme;
- TCBP prepares work plans for programme activities annually. We reviewed the current year work plans, budget and noted that the actual expenditure was in line with the work plans;
- TCBP has maintained the necessary supporting documents, records and accounts in respect of the project activities; and
- TCBP was compliant with the terms and conditions of the Protocol of agreement between COMESA, EAC-SADC and AfDB on implementing planned activities.

1.6 Office Management

The management structure of TCBP consists of:

- Sindino Ngwenya - Secretary General
- Kipyego Cheluget - Assistant Secretary General (Programmes)
- Nagla El-Hussainy - Assistant Secretary General (Administration and Finance)
- Francis Mangeni - Director Trade
- Clement Kanyama - Director Budget and Finance
- Seth Gor - Programme Coordinator
- Roland Mhango - Programme Accountant
- Victoria Mwewa - Director Human Resources and Administration
-

2. AUDIT OBJECTIVES, SCOPE AND OPERATIONAL OVERVIEW

2.1 Objectives and Scope

The overall objectives and scope of the engagement are shown below:

2.1.1 Objectives:

The purpose of providing a management letter is to communicate observations, findings and recommendations related to deficiencies in internal controls noted during the conduct of our audit.

2.1.2 Scope:

We have completed our audit of the financial statements of COMESA-EAC-SADC-TCBP for the period ended 31 December 2017 and we wish to record our appreciation for the assistance given to us by your management and staff. The primary purpose of our audit was to enable us to express an opinion as to whether or not the financial statements of COMESA-EAC-SADC-TCBP for the year ended 31 December 2017 are prepared in all material respects, in accordance with International Financial Reporting Standards, the requirements of the COMESA financial rules and regulations and the regulations of the Protocol of agreement between COMESA and Africa Development Bank .

We reviewed and evaluated the system of internal accounting control only to the extent we considered necessary, in order to establish the nature, timing and extent of auditing procedures necessary for expressing an opinion on the financial statements. Our audit of the financial statements for the year ended 31 December 2017 would not necessarily disclose all weaknesses in the system because it is based on selective tests of accounting records. This report summarises certain observations and recommendations which resulted from our audit. The implementation of these recommendations should assist management in improving internal accounting controls.

2.2 Standards

The engagement has been conducted in accordance with the International Standards on Auditing.

2.3 Operational Overview

The main objective of the programme is to provide technical assistance to the three Regional Economic Communities (RECs) and Tripartite Regional Member Countries (RMCs) with the view of increasing intra-Tripartite trade. The programme will support the Tripartite negotiations process, the development of trade facilitation instruments and industrial cluster action plans in the Tripartite free trade area (TFTA).

The expected outputs are;

- (i) Installation of software for Non-Tariff Measures (NTMs) databases and enhancing capacity to manage Sanitary and Phyto-Sanitary /Technical Barriers to Trade (SPS/TBTs);
- (ii) Improved capacity to negotiate market access and undertake implementation; and
- (iii) Strengthened capacity to effectively develop industrial clusters and value chains

As a party to the RECs and RMCs, COMESA was charged with the responsibility of coordinating and implementing the components of the Programme through Annual Work Plans approved by the Contracting Authority and managing the resources availed to it by the Africa Development Bank.

3. Detailed Assessment - Prior year

3.1 : Long outstanding unused air ticket refunds

Observation

We noted long outstanding unused air tickets refunds which were incurred in the year 2016 that were not yet refunded as at year end 31/12/2016. Refer to schedule on the next page;

Grading: Other matter
Risk: This may result in the programme losing cash on unutilised expenses. This is a financial loss for the programme due to effects of time value of money and may have negative impact on the cash available for programme activities.
Recommendation: We recommend that management follows up promptly on unutilised tickets refund from the airline companies
Management response: At the time of the signing of the financial statements, amounts due on all outstanding tickets claims as at 31 December 2016 were fully received and accounted for.
KPMG update from prior year Resolved.

3. Detailed Assessment (continued)

A: LONG OUTSTANDING UNUSED AIR TICKETS REFUNDS;

PASSENGER NAME	MEETING	PURCHASE ORDER	INVOICE	AMOUNT (USD)	TICKET
GACHE JENNIFER	SENIOR OFFICIALS MEETING	COM/PO/027763	LUN-144112	372	2488018356
BAHATI CLAUDE JEAN	BUSINESS FORUM – MADAGASCAR	COM/PO/027712	LUN-143291	2,091	2488018064
QUISPE PENALOZA JOSUE	BUSINESS FORUM - MADAGASCAR	COM/PO/027712	LUN-143291	2,091	2488018066
HASSEN EMANABDI	BUSINESS FORUM - MADAGASCAR	COM/PO/027712	LUN-143291	1,908	2488018068
ZIMBEHYA LEONARD FAUSTINE	BUSINESS FORUM - MADAGASCAR	COM/PO/027712	LUN-143291	1,935	2488018093
ELIZARA JACQUELINE	PRIVATE SECTOR - LUSAKA	COM/PO/027568	LUN-142537	1,935	2487941787
NDIRA GEORGE	Technical Committee - Nairobi - Aug	COM/PO/027110	LUN-140511	462	2487831966
KIBOWA RASHID	Technical Committee - Nairobi - Aug	COM/PO/027110	LUN-140511	417	2487831969
KIGUTA PETER	Technical Committee - Nairobi - Aug	COM/PO/027110	LUN-140511	417	2487831970
NDIRA GEORGE	Agro-Processing Meeting - Nairobi	COM/PO/027252	LUN-141302	372	2487832325
NDIRA GEORGE	Technical Committee - Nairobi -Jan	COM/PO/025571	LUN-132144	385	2487324655
KARANJA NDUATI	NTMs DATA COLLECTION	COM/PO/024926	LUN-128454	693	2487153617
AHMED ABDOURAHMAN	PRIVATE SECTOR ROO	COM/PO/025499	LUN-131737	827	2487324462
MAYILA WILLY	NTMs DATABASE DEVELOPMENT	COM/PO/026748	LUN-139204	562	2487740006
CHAONAMWENE GLORIA	NTMs DATABASE DEVELOPMENT	COM/PO/026748	LUN-139204	562	2487740005
PUNCHOO VEERABHIMANYU	SPS/TBT BORDER MEETING	COM/PO/026686	LUN-138849	4,314	2487739890
MUMBA CHIBWE ELIYA	SPS/TBT BORDER MEETING	COM/PO/026686	LUN-138779	798	2487739794
ALLY ALEXANDER GEORGE	RULES OF ORIGIN DAR ES SALAAM	COM/PO/025693	LUN-132846	720	2487428364
GEORGE NDIRA	TTNF IN LIVINGSTONE	COM/PO/025887	LUN-134288	996	2487428954
SADIKI RICHARD	NTMs DATABASE DEVELOPMENT	COM/PO/026748	LUN-139204	563	2487739977
THATO CHABELI	NTMs DATABASE DEVELOPMENT	COM/PO/026748	LUN-139204	563	2487739976
SILUMELA MANYUWA	SPS/TBT BORDER MEETING	COM/PO/026686	LUN-138779	804	2487739808
NDIRA GEORGE	SENIOR OFFICIALS MEETING	COM/PO/027610	LUN-142845	372	2487941928



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