



OFFICIAL GAZETTE

of the COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

Volume No. 26

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of the
COMMON MARKET FOR EASTERN AND
SOUTHERN AFRICA (COMESA)

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ACRONYMS

50MAWSP	-	Fifty Million African Women Speak Project
ACTESA	-	Alliance for Commodity Trade in Eastern and Southern Africa
ACP	-	African, Caribbean and Pacific States
ALLPI	-	Africa Leather and Leather Products Institute
ATI	-	African Trade Insurance Agency
CA	-	Conservation Agriculture
CAADP	-	Comprehensive African Agriculture Development Program
CSA	-	Climate Smart Agriculture
COMESA	-	Common Market for Eastern and Southern Africa
COMBIP	-	COMESA Biotechnology and Biosafety implementation plan
COMFWB	-	COMESA Federation of Women in Business
CTMS	-	Corridor Trip Monitoring System
CSO	-	Civil Society Organisations
EAC	-	East African Community

ECCAS	-	Economic Community of Central African States
EDF	-	European Development Fund
EGEE-ICT	-	Enhancement Governance and Enabling Environment for the ICT
GCCA+	-	Global Climate Change Alliance Plus
FTA	-	Free Trade Area
IAP	-	Implementation action plans
ICT	-	Information and Communications Technology
IGAD	-	Intergovernmental Authority on Development
MCBRTA	-	Multilateral Cross Border Road Transport Agreement
NAAIPs	-	National Agriculture and Food Security Investment Plans
P-IMA		Prioritizing. SPS Investments for Market Access
RAERESA	-	Regional Association of Energy Regulators for Eastern and Southern Africa
RECAMP	-	Regional Enterprise Competitiveness and Access to Markets Programme
RCTG Carnet	-	Regional Customs Transit Guarantee Scheme
RIA	-	Regional Investment Agency
RISM	-	Regional Integration Support Mechanism
SADC	-	Southern Africa Development Community
REC	-	Regional Economic Communities
SME	-	Small to Medium Enterprises
SPS	-	Sanitary and Phytosanitary
TAF	-	Technical Assistance Facility;
TASAI	-	African Seed Access Index
VLMA	-	Vehicle Load. Management Agreement
WIPO	-	World Intellectual Property Organisation
WCO	-	World Customs Organization
WTO	-	World Trade Organization
ZEP-Re	-	PTA Re-Insurance Company

THE COMESA AUTHORITY - HEADS OF STATE AND GOVERNMENT

As at November 2020

BURUNDI

His Excellency Evariste Ndayishimiye

President of the Republic of Burundi

COMOROS

His Excellency Azali Assoumani

President of the Union of the Comoros

DEMOCRATIC REPUBLIC OF CONGO

His Excellency Felix Antoine Tshilombo Tshisekedi

President of the Democratic Republic of Congo

DJIBOUTI

His Excellency Ismail Omar Guelleh

President of the Republic of Djibouti

EGYPT

His Excellency Abdel Fattah el-Sisi

President of the Arab Republic of Egypt

(Vice Chairperson of the COMESA Authority)

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President of the State of Eritrea

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His Excellency Abiy Ahmed

Prime Minister of the Federal Democratic Republic of Ethiopia

(Rapporteur of the COMESA Authority)

ESWATINI

His Majesty King Mswati III

Ingwenyama of the Kingdom of Eswatini

KENYA

His Excellency Uhuru Kenyatta
President of the Republic of Kenya

LIBYA

His Excellency Fayed al-Sarraj
President of the Council of the State of Libya

MADAGASCAR

His Excellency Andry Nirina Rajoelina
President of the Republic of Madagascar.
(Chairperson of the COMESA Authority)

MALAWI

His Excellency Dr Lazarus Chakwera
President of the Republic of Malawi

MAURITIUS

Right Honourable Pravind Kumar Jugnauth
Prime Minister of the Republic of Mauritius

RWANDA

His Excellency Paul Kagame
President of the Republic of Rwanda

SEYCHELLES

His Excellency Wavel Ramkalawan
President of the Republic of Seychelles

SOMALIA

His Excellency Mohamed Abdullahi Mohamed
President of the Federal Republic of Somalia

SUDAN

His Excellency Dr. Abdalla Hamdok
Prime Minister of the Republic of Sudan

TUNISIA

His Excellency Kais Saeid
President of the Republic of Tunisia

UGANDA

His Excellency Yoweri Kaguta Museveni
President of the Republic of Uganda

ZAMBIA

His Excellency Edgar Chagwa Lungu
President of the Republic of Zambia

ZIMBABWE

His Excellency Emmerson Mnangagwa
President of the Republic of Zimbabwe

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HEAD, CORPORATE COMMUNICATIONS

Mr Mwangi Gakunga

COMESA INSTITUTIONS

COMESA Clearing House

COMESA Monetary Institute

Trade and Development Bank

African Trade Insurance Agency

COMESA Competition Commission

PTA Reinsurance Company (ZEP-RE)

COMESA Regional Investment Agency

Africa Leather and Leather Products Institute

COMESA Federation of Women in Business (COMFWB)

Specialized Agencies

Alliance for Commodity Trade in Eastern and Southern Africa - ACTESA

COMESA Business Council - CBC

Regional Association of Energy Regulators in Eastern and Southern Africa

- RAERESA

East African Power Pool

Judicial Arm

COMESA Court of Justice

IT IS HEREBY NOTIFIED that the Council of COMESA Ministers at its Forty First Meeting held virtually on the 26th day of November 2020 issued the following Legal and General Notices:

SECTORAL MINISTERIAL MEETINGS

AGRICULTURE, ENVIRONMENT AND NATURAL RESOURCES

Decisions

1. Council directed the Secretariat to:
 - (a) Explore the possibilities of regional fertilizer production; and
 - (b) Harmonize the COMESA fertilizer initiative with similar initiatives within other Regional Economic Communities.
2. Urged Member States to fast-track the implementation of previous sectoral decisions on agriculture, environment and natural resources

COMESA COVID-19 Food and Nutrition Security Response Plan

Decisions

3. Council endorsed the COMESA COVID-19 Food and Nutrition Security Response Plan.
4. Council directed the Secretariat to:
 - (a) Constitute a task force for monitoring and evaluation of the COMESA COVID-19 Food and Nutrition Security Response Plan;
 - (b) Mobilize resources to support the implementation of the COMESA COVID-19 Food and Nutrition Security Response Plan;
 - (c) Call upon Development Partners, Private Sector and CSOs to support the implementation of the COMESA COVID-19 Food and Nutrition Security Response Plan; and
 - (d) Mainstream biodiversity in all the initiatives under the COVID-19 Food and Nutrition Security Response Plan.
5. Council urged Member States to:
 - (a) Commit resources for the implementation of the COMESA COVID-19 Food and Nutrition Security Response Plan; and
 - (b) Develop mechanisms to address the challenges of water scarcity for production in the region.

Agriculture, Natural Resources and Environment Programmes

Comprehensive Africa Agriculture Development Programme (CAADP)

2

Decisions

6. Council urged Member States to:
 - (a) Further integrate the Malabo commitments into their National Agriculture and Food Security Investment Plans (NAAIPs) and allocate more resources to support the implementation;
 - (b) Prioritize more initiatives to end hunger and reduce poverty through agriculture; and
 - (c) Allocate more resources to accelerate progress towards building climate resilience of the COMESA region's agri-food systems.
7. Council directed the Secretariat to strengthen engagement with development and strategic partners including the private sector to leverage financial and technical resources to fast-track the implementation of CAADP Malabo commitments.
8. Council urged Member States and Secretariat to mainstream biodiversity and ecosystem aspects in all agriculture programmes

Agribusiness and Agro-processing Development Programmes

Decisions

9. Council urged Member States to:
 - (a) Support the implementation of the Regional Enterprises Competitiveness and Access to Markets Programme (RECAMP);
 - (b) Nominate focal points to coordinate with the Secretariat in the implementation of the RECAMP;
 - (c) Encourage private sector/SMEs to apply for the Technical Assistance Facility (TAF);
 - (d) Commend the European Union for providing financial support for the RECAMP; and
 - (e) Initiate similar cooperation among themselves to advance the agro-industrialization agenda in the region.
10. Council encouraged development partners and the private sector to support the implementation of the initiative.

Livestock and Fisheries Development Programmes

Decisions

11. Council urged Member States to:
 - (a) Adopt the validated COMESA Livestock Policy Framework;
 - (b) Adopt the developed manual for the harmonized grading and classification of cattle, goats and sheep for meat in COMESA;
 - (c) Allocate more resources to Livestock and Fisheries development and use veterinary laboratories for diagnosis of COVID 19; and
 - (d) Adopt ecosystem-based fisheries management.

12. Council directed the Secretariat to:
 - (a) Support Member States and mobilise resources for implementation of the livestock policy framework;
 - (b) Support Member States and mobilise resources for implementation of the Reinforcing Veterinary Services Programme in COMESA;
 - (c) Support Member States and mobilise resources for implementation of "Enhancing Participation of Small-Scale Fisheries in the Blue Economy Development in COMESA";
 - (d) Maintain the position of the coordinator of livestock and fisheries program; and
 - (e) Support Member States and mobilize resources for the implementation of ecosystem-based fisheries management.

Sanitary and Phytosanitary (SPS) Programmes

Decisions

13. Council urged Member States to:
 - a) Refer to international standards as they develop their technical regulations;
 - b) Institutionalize evidence-based approaches such as Prioritizing SPS Investments for Market Access Programme (P-IMA) Tool to facilitate dialogue and consensus in order to prioritize and inform appropriate investments in SPS capacity in value chains that are of comparative advantage to Member States;
 - c) Include Monitoring and Evaluation (M&E) systems in their national P-IMA frameworks to ensure continuous updating and sustainability of the programme; and
 - d) Endorse the finalised Pest Risk Analysis guidelines as adopted by the SPS Sub Committee.

14. Council directed the Secretariat to:
 - (a) Facilitate the establishment and implementation of Early Warning and Emergence Response Systems;
 - (b) Accelerate and actualize implementation of Mutual Recognition Agreement (MRAs) for priority commodities in COMESA Member States;
 - (c) Consolidate existing reference laboratories and their modus operandi and consider the offer of Egypt for including their laboratories as reference laboratories for animal health, plant health and food safety;
 - (d) Mobilize resources to roll out piloted projects on SPS capacity building to all Member States;
 - (e) Facilitate resource mobilisation for capacity building, harmonisation and rolling out of the Electronic Phytosanitary Certification to remaining Member States; and
 - (f) Develop and implement e-traceability system for food safety.
15. Council urged Member States and the Secretariat to strengthen private sector participation in the implementation of SPS measures.

Climate Change Programmes

Decisions

16. Council urged Member States to:
 - (a) Endorse COMESA as their delivery partner to have a harmonised regional approach;
 - (b) Allocate more resources to Climate Smart Agriculture (CSA) development and for management of soil and land degradation;
 - (c) Adopt the validated COMESA Regional Resilience Framework; and
 - (d) Develop their own national resilience frameworks using the COMESA Framework as a guide.
17. Council directed the Secretariat to:
 - (a) Share best practices with all Member States for publicity in the countries;
 - (b) Organise a summit round table on climate change and other emerging global issues;
 - (c) Mobilize resources to support Member States not included in the Intra-ACP GCCA+ project;

- (d) Compile and disseminate best practices from the CSA pilots for replication and upscaling;
- (e) Mobilize resources to support up-scaling of CSA best practices in more Member States; and
- (f) Develop an implementation plan and mobilise resources for the Resilience Framework.

Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA)

Decisions

- 18. Council:
 - (a) Commended Member States that have domesticated the seed trade regulations; and
 - (b) Encouraged other Member States that have not yet completed or initiated the domestication of seed trade regulations to fast-track the process.

COMESA Biotechnology and Biosafety, Implementation Plan (COMBIP)

Decisions

- 19. Council urged Member States to support resource mobilization and initial activities of COMBIP and establishment of the COMESA Panel of Experts on Biotechnology and Biosafety (PoE).
- 20. Council directed the Secretariat to prepare a regular biotechnology/biosafety status report for the COMESA region through its Specialized Agency, ACTESA.

COMESA Business Council (CBC)

Decisions

- 21. Council urged Member States to:
 - (a) Implement the COMESA Harmonized Regional Trade Facilitation Guidelines to facilitate the speedy movement of essential goods and food products during the COVID-19 period;
 - (b) Strengthen the capacity and infrastructure for seed certification at national and regional level in implementing the regional and international standards, for example through licensing private seed laboratories and inspectors to increase the institutional capacity of Seed Certification systems;
 - (c) Strengthen national regulations and frameworks on curbing counterfeit seed trade; and

- (d) Keep records and improve the statistics related to international seed trade.
22. Council directed the Secretariat to:
- (a) Develop a regional regulation on anti-illicit trade to provide a cross border framework for engagement and collaborative efforts for tackling counterfeit trade in seed;
 - (b) Develop a framework for collaboration amongst national research centres for increased development and registration of varieties; and
 - (c) Work with the national statistics agencies and other relevant institutions like TASAI to put in place a framework for collection and recording of seed statistics to improve seed trade statistics within the region.

GENDER AND SOCIAL AFFAIRS

Decisions

23. Council urged Member States to:
- (a) Mainstream gender in environmental and climate change legislation, policies and programs at both national and regional levels; and
 - (b) Establish a gender responsive regional rapid disaster management and response mechanism in support of integrated and coordinated responses to environmental threats and disasters.
24. Council urged Member States and the Secretariat to support development of a conducive environment for women and youth owned SMEs, start-ups and innovators that respond to the future Global trends.

MINISTERS OF FINANCE AND CENTRAL BANK GOVERNORS

Decisions

25. Council referred the report of the second Joint Committee of Ministers of Finance and Governors of Central Banks to the Convergence Council with a representation of the Ministers responsible for trade.

LEGAL MATTERS

COMESA Competition Commission (CCC) Financial Rules and Regulations

Decision

26. Council adopted the COMESA Competition Financial Rules and Regulations

COMESA Competition Commission Procurement Rules and Regulations

Decision

27. Council adopted the COMESA Competition Procurement Rules and Regulations.

Amendment of Article 43 of the COMESA Treaty to include Arabic as one of the Official Languages of the COMESA Court of Justice.

Decision

28. Council adopted the proposed draft amendment of Article 43 of the COMESA Treaty to read as follows:

"The official languages of the Court shall be as provided under Article 185 of COMESA Treaty".

COBEA Audit Charter

Decision

29. Council adopted the COBEA Charter subject to amendments proposed by Member States.

Renewal of contracts for the Honourable Judges of the COMESA Court of Justice

Decision:

30. Council approved the renewal of the contracts of the Honourable Judges of the COMESA Court of Justice for a final term of five (5) years effective, from 06 June 2020 to 05 June 2025:

Judges of the Appellate Division

- (i) Hon. Lady Justice Lombe P. Chibesakunda - Judge President – Zambia;
- (ii) Hon. Dr. Justice Michael Charles Mtambo – Malawi;
- (iii) Hon. Mr. Justice David Chan Kan Cheong – Mauritius;
- (iv) Hon. Dr. Justice Wael Mamodouh Hassan Youssef Rady – Egypt;

Judges of the First Instance Division

- (i) Hon. Lady Justice Qinisile Mythe Mabuza – Principal Judge – eSwatini;

- (ii) Hon. Mr. Justice Ali Sulaiman Mohammed – Ethiopia;
- (iii) Hon. Lady Justice Mary Nyambura Kasango– Kenya;
- (iv) Hon. Mr. Justice Victor Derek E. Bernard Georges – Seychelles;
- (v) Hon. Dr. Justice Léonard Gacuko– Burundi;
- (vi) Hon. Lady Justice Clotilde Mukamurera – Rwanda; and
- (vii) Hon. Mr. Justice Chinembiri Energy Bhunu – Zimbabwe.

COMESA Board of External Auditors (COBEA) Rules of Procedure

Decision

- 31. Council adopted the COMESA Board of External Auditors (COBEA) Rules of Procedure.

COMESA Board of External Auditors (COBEA) Quality Assurance Manual

Decision

- 32. Council adopted the COMESA Board of External Auditors (COBEA) Quality Assurance Manual.

COMESA Board of External Auditors (COBEA) Standard Operating Procedure Manual

Decision

- 33. Council adopted the COMESA Board of External Auditors (COBEA) Standard Operating Procedure Manual.

COMESA Board of External Auditors (COBEA) Financial Audit Manual

Decision

- 34. Council adopted the COMESA Board of External Auditors (COBEA) Financial Audit Manual.

Amendment of Article 28 of the COMESA Treaty expanding the Jurisdiction of the Court to include Investor-State Dispute Resolution

Decision

- 35. Council adopted the draft amendment to Article 28 of the COMESA Treaty to include a new paragraph (c) which shall read as follows:

“arising from a dispute under an investment agreement to which a Member State is a party, where the agreement confers such jurisdiction to the Court.”

COMESA Court of Justice

Decisions

36. Council decided that:
- a) the Court should continue building the capacity of Judges and Members of Staff to enhance service delivery.
 - b) the Court should continue digitising its services and processes to enhance access to justice and service delivery.
 - c) The Government of the Republic of Sudan be commended for hosting and continuing to support the Court;
 - d) A follow-up be made urgently on the decision that was agreed upon by the Republic of Sudan and the Secretary General and further engagement on the matter should be undertaken by the Republic of Sudan, the Secretariat and the Court, aimed at addressing the challenges that the Court is facing; and
 - e) The Secretary General working with the COMESA Court of Justice should continue engaging the Republic of Sudan to ensure that the repairs to the Court building are carried out expeditiously.

Appointment of Commissioners of the COMESA Competition Commission

Decision

37. Council decided that:

The Nominees submitted by the Governments of the following seven Member States: Egypt, Eswatini, Rwanda, Seychelles, Sudan, Zambia and Zimbabwe be appointed as Commissioners for the Commission’s Board of Commissioners.

Nominees for Appointment as Commissioners

	Country	Nominee	Profession	Sex	Status
1	Egypt	Mahmoud M. Momtaz	Lawyer Private Sector Specialist, Finance, Competitiveness & Innovation Global Practice, The World Bank.	M	New Nominee
2	Eswatini	Thembelihle Precious Dube (Nee Dlamini)	Lawyer Legal Advisor to National Competition Authority	F	Renewal

3	Ethiopia	To be advised			New Nominee
4	Kenya	Danson Mungatana	Lawyer Practising Lawyer with Mungatana & Co Advocates	M	Renewal
5	Malawi	Lloyds Vincent Nkhoma	Managing Director, Kwendakwina Consulting Services	M	Renewal
6	Rwanda	Beatrice Uwumukiza	Scientist Acting Director General Rwanda Inspectorate, Competition and Consumer Protection Authority	F	New Nominee
7	S e y - chelles	Francis Lebon	Economist, Chief Executive Officer of the National Competition Authority	M	Renewal
8	Sudan	Islam Tagelsir Ahmed Alhasan	Lawyer Legal Advisor to Ministry of Justice	M	Renewal
9	Zambia	Brian M. Lingela	Communications Expert Director Mergers with National Competition Authority	M	Renewal
10	Z i m b a - bwe	Ellen Ruparanganda	Economist, Director of Zimbabwe Competition & Tariff Commission	F	Renewal

That Djibouti, which has a candidate eligible for reappointment as shown in the table below, submit a new nomination or confirm the continuation of the candidate in order to ensure that the Commission maintains the statutory maximum number of thirteen Commissioners.

Commissioners Eligible for Renewal Awaiting Member States Advice

	Country	Com-mis-sioner	Profession	Sex	Status
1	Djibouti	Ali Hama-dou Ali Kako	Lawyer Deputy Prosecutor First Instance Division and former Magistrate	M	Awaiting advice from M/S

Election of a Judge of the Appellate Division of the COMESA Court of Justice

Decision

38. Council endorsed the election of Hon. Justice Mrs. Salohy Norotiana Rakotondrajery Randrianarisoa from the Republic of Madagascar as Judge of the Appellate COMESA Court of Justice and submitted her name for appointment to the Authority.

11

Consideration of the 2021-2025 COMESA Medium Term Strategic Plan

Decisions

39. Council decided that:
- (a) Member States be urged to submit comments on the draft MTSP by 15th December 2020;
 - (b) The Secretariat revise the draft MTSP in line with Member States comments and share the revised draft with the Member States for consideration, comments and approval by the next Policy Organs before submission to the Summit; and
 - (c) The Secretariat arrange validation meetings before the Summit to discuss and finalise the draft MTSP.

COMESA INSTITUTIONS

Re-Insurance Company (ZEP-RE)

Decision

40. Council decided that all Member States who are not full participants in ZEP-RE should consider doing so in line with the decisions of the Council of Ministers and Authority of Heads of State and Government.

African Trade Insurance (ATI)

Decisions

41. Council decided that:
- a) All COMESA Member States which are not yet ATI Member States be urged to join the Agency by acceding to the ATI Treaty in order to reap from the benefits and opportunities of ATI Membership, Guarantees and Insurance products tailor-made to de-risk trade, investment and political risks in Africa; and
 - b) ATI Member States with delayed payments be urged to facilitate the refund of sovereign claims paid on their behalf by ATI and to make necessary arrangements to reimburse ATI without any further delays.

COMESA Business Council (CBC)

42. Council urged Member States to:

- (a) Strengthen and monitor the implementation of the COMESA Harmonised Regional Trade Facilitation Guidelines at national level and bilaterally with countries that share borders;
 - (b) Strengthen platforms for public-private dialogue and ensure private sector participation and finance of National Trade Facilitation Committees to increase coordination;
 - (c) Enhance border coordination, strengthen border patrol and enforcement to ensure adherence to legal frameworks regarding the transshipment of goods to curb customs fraud and the offloading of transit goods at the border;
 - (d) Implement a regional approach for electronic cargo tracking systems to ensure cross border synergies, and regional tracking for increased traceability to safeguard against transit fraud, and aid anti-illicit trade measures;
 - (e) Implement principles of good business regulations: carrying out regulatory impact assessment, private sector consultation and implementing grace periods when imposing measures that have an impact on business or trade competitiveness;
 - (f) Put in place an electronic verification mechanism (such as barcoding systems) for the traceability of seeds to verify between authentic and counterfeit seed;
 - (g) Implement digital track and trace technologies such as digital marks or stamps to support consumer awareness and ensure traceability across countries from source, along transit, to destination; and
 - (h) Put in place regional manufacturing hubs; incentivising manufacturing by zero rating capital investments and importation of intermediate goods; and developing financing mechanisms to support the upgrading of technologies in line with 4th Industrial Revolution.
43. Urged CBC to establish sectoral regional Beverages Association to strengthen regional industry coordination, supply chain partnerships and represent the industry's position in engagements with the public sector.
44. COMESA Business Council should increase awareness on the opportunities being presented by the African Continental Free Trade Area (ACFTA) to the private sector within the region;

Africa Leather and Leather Products Institute (ALLPI)

Decisions

45. Council:
- (a) Adopted the report of the Thirty-Seventh Meeting of the Africa Leather and Leather Products Institute's Board of Directors and its recommendations; and
 - (b) Urged the Africa Leather and Leather Products Institute to continue its efforts to

operationalise the ALLPI Academy without extra budgetary resource requirement from contributions from member countries.

COMESA Yellow Card

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Decisions

46. Council decided that:
- (a) The Kingdom of Eswatini be urged to commence operations of the Yellow Card Scheme; and
 - (b) The National Bureau of Sudan be urged to pay US\$530,352.22 arrears to the annual budget contributions of Council of Bureaux of the Yellow Card Scheme

Regional Customs Transit Guarantee (RCTG Carnet)

Decisions

47. Council:
- (a) Urged Zambia to address the issues raised by the Clearing and Forwarding Agents and implement the RCTG Carnet;
 - (b) Urged DR Congo, Malawi and Zimbabwe to commence the operations of the RCTG Carnet without further delay and by early 2021; and
 - (c) Urged Ethiopia and Djibouti to finalize preparations for the commencement of the operations of the RCTG Carnet in early 2021.

COMMITTEE ON STATISTICAL MATTERS

Decisions

48. Council decided that:
- (a) The Secretariat should develop the COMESA Statistics Strategy 2021-2025;
 - (b) The Secretariat and Member States should prioritize the next COMESA Statistics Strategy (2021-2025) and make it an integral part of the MTSP 2021-2025;
 - (c) Member States and Secretariat should enhance the mobilization of financial resources for statistical programmes in the COMESA Region;
 - (d) The Secretariat should adequately address the human resources challenges faced by the Statistical Unit especially regarding its role as SHaSA 2 Regional Coordinator during the implementation of SHaSA 2 by approving the recruitment of additional officers as per the proposed organizational structure;
 - (e) The Secretariat should adopt the PARIS21 Evaluation Tool for Monitoring and Evaluation of the Statistics Strategy; and

- (f) The Secretariat should strengthen its capacity to work under COVID-19 and any other pandemic.

Draft COMESA Statistics Strategic Framework 2021 – 2025

Decision

49. Council adopted the COMESA Statistics Strategic Framework as a roadmap for development of the full COMESA Statistics Strategy for 2021-2025.

Partner Reports.

Technical Working Groups

Decision

50. Council urged Member States to form additional technical working groups related to the new COMESA Statistics Strategic Framework as and when necessary for the efficient delivery of regional statistical programs.

TRADE AND CUSTOMS

The COMESA Free Trade Area (FTA)

Decision

51. Council urged Member States not participating in the COMESA FTA to make definitive steps to join the COMESA FTA.

EAC/COMESA Member States Suspension of Benefits under COMESA Framework

Decisions

52. **Council decided that:**
- (a) The Secretariat should update the next Council of Ministers on the outcome of their consultations with Kenya and EAC on the matter;
 - (b) The Secretariat should consider long-term solutions, including involvement of the Bureau of the Council; and
 - (c) The Chair of Council should engage with the EAC and SADC Secretariats on the matter to ensure future predictability in the COMESA trade regime.
53. Council urged Member States to avoid introducing measures that disrupt intra-COMESA trade.

Sugar Safeguards

Decisions

54. Council decided that:

- (a) Kenya be granted a two (2) year extension of the sugar safeguard beginning March 2021- February 2023 based on the provisions of Article 61(2) of the Treaty;
- (b) Application of Regulation 12(3) of the Trade Remedy Measures be under derogation with respect to the extension of the safeguards beyond 8 years;
- (c) Urged Kenya to:
 - (i) Share the modalities used in calculating the projected sugar deficit with other member States by 30 November 2020;
 - (ii) Give priority to COMESA originating sugar;
 - (iii) Be allowed flexibility on the sugar safeguard allocated quota implementation during importation from COMESA Member States;
 - (iv) Disaggregate HS Codes for refined white sugar and mill white/brown sugar. The safeguard should only be applicable to mill white/brown sugar;
 - (v) Provide the projected deficit in January of each year based on production and consumption data from ISO;
 - (vi) Provide a detailed roadmap on how to enhance the sugar sector competitiveness during the extended safeguard period;
 - (vii) Ensure the import permit issuance process is transparent, fast and efficient; and
 - (viii) Provide the projected deficit in January of each year based on production and consumption data from ISO.
- d) Any unavoidable full or partial suspension of COMESA quotas or of the EAC import tariff for sugar, or interruption of preferential access established under this agreement, be preceded by prior consultation with affected parties through the Kenya Safeguard Sub-Committee and includes a reasonable notice period of at least 3 months.

Non-Tariff Barriers (NTBs)

55. Council:

- (a) Adopted the revised COMESA Regulations on the Elimination of NTBs and their working procedures;

- (b) Decided that the Secretariat should establish the COMESA NTBs Regional Forum comprising National Monitoring Committees and NTBs Focal Points; and
- (c) Urged COMESA Member States to expedite resolution of the outstanding NTBs.

Trade Facilitation Programme (TFP) and Small-Scale Cross Border Trade Initiative (SSCBTI)

Decision

- 56. Council called for strengthening of coordination in the implementation of Trade Facilitation programs addressing Cross Border trade initiatives under the EDF11.

Tripartite Free Trade Area (TFTA) Negotiations

Decision

- 57. Council decided that:
 - (a) Member States who have not signed the TFTA Agreement be urged to do so; and
 - (b) Member States who have signed the TFTA Agreement should fast-track the ratification process.

TRADE IN SERVICES

Draft Schedules/WTO Compatibility

Decisions

- 58. Council decided that the Secretariat should:
 - (a) Circulate, by 31st March 2021, an indicative list of sectors and sub sectors that could be considered by Member States whilst preparing their offers;
 - (b) Circulate submitted offers to all Member States by 4th December 2020;
 - (c) Extend the analysis of the schedule of specific commitments to cover the four priority sectors approved and gazetted in 2014 for eleven (11) Member States by 31st March 2021; and
 - (d) Circulate by 4th December 2020 to Member States, the classification that was used for the Trade in Services offers comparative analysis.

Capacity Building on Trade in Services

Decisions

59. Council decided that:
- (a) The Secretariat should organize capacity building activities aimed at providing both training and technical expertise on trade in services negotiations; and
 - (b) Member States who require specific tailor-made technical assistance to formally submit their request to the Secretariat considering the current COVID-19 challenges.

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Enquiry Points on Trade in Services

Decision

60. Council decided that COMESA Member States that are yet to notify their Enquiry Points to do so by 31st March 2021 in order to finalize the database to be published in the COMESA website for information and use by regional service providers and other stakeholders.

CUSTOMS

Decisions

61. Council:
- (a) Adopted the training manuals in Advance Rulings, Risk Management and Post Clearance Audit as attached in Annexes 9,10, and 11;
 - (b) Urged the Secretariat to establish a regional e-Learning Platform and develop training manuals on Coordinated Border Management; Electronic Single Window; Trade Information Portal; E-Certificate of Origin; and Authorised Economic Operators by end of 2021;
 - (c) Urged the Secretariat in collaboration with the Member States to establish a technical working group (TWG) on Customs Capacity Building with a view of assisting the region in developing capacity in customs; and
 - (d) Urged the Secretariat to reinforce the technical capacity of the Trade and Customs Division to provide sustainable capacity building support to Member States.

Rules of Origin

Decisions

62. Council;

- (a) Adopted Appendix VI to the Protocol on Rules of Origin aligned to HS 2017 version (Annex 9);
- (b) Urged Member States to undertake their national consultations and submit their comments on the draft Appendix V to the Protocol (Annex 10) to the Secretariat by 31st March 2021;
- (c) Urged Member States who have not submitted details of their competent authorities/designated issuing authorities and focal persons to do so by 31 March 2021; and
- (d) Urged the Secretariat to finalise development of the online-training programme and provide training on COMESA eCO system and the rules of origin to the Member States.

Work Programme

Decisions

63. Council decided that:
- (a) The Secretariat, in consultation with Member States, should develop a regional work programme, monitoring and evaluation framework on customs and trade facilitation for the next three years for consideration by the next IC; and
 - (b) The Secretariat, in collaboration with Member States, should mobilize required resources to support implementation of the work programme.
- (a) **Member States customs response to the COVID-19 pandemic and proposals for a regional response**

Decisions

64. Council decided that:
- (a) Member States should provide national legislative and institutional frameworks for the new trade facilitation operating modalities; and
 - (b) The Secretariat should facilitate a Regional Consultative meeting involving officials from Health, Trade and Customs to consider the issue of unharmonized COVID-19 testing fees and other challenges.

COMESA ANNUAL RESEARCH FORUM

Decisions

65. Council decided that:
- (a) Authors of research papers should provide clear and specific policy implications on their subject matters which Member States and COMESA Institutions can

consider for implementation;

- (b) The Secretariat should enhance the Research Unit and mobilize resources for the virtual master's degree programme scholarships;
- (c) The Secretariat should consider undertaking research on how to strengthen Member State's implementation of COMESA programmes;
- (d) COMESA should explore the possibility of undertaking research on how SMEs can participate and benefit from the COMESA FTA, TFTA and AfCFTA implementation; and
- (e) Member States should promote innovative intra-COMESA trade initiatives.

STUDY ON "SOCIO-ECONOMIC IMPACT OF THE COVID-19 PANDEMIC: EVIDENCE FROM COMESA REGION"

Decisions

- 66. Council directed that the Secretariat should:
 - (a) Coordinate Member States' measures in easing restrictions on movements of people, goods and services across borders – the COMESA COVID-19/ Tripartite Guidelines;
 - (b) Operationalize the Online platform to enhance exchange of information about production and availability of goods and services in the region;
 - (c) Expedite Digitalization of trade instruments - E-trade, e-logistics. E-legislation (COMESA Digital Free Trade Area);
 - (d) Facilitate deeper liberalization of seven(7) priority services sectors – as well as arts, creative and sports services to generate jobs;
 - (e) Fast-track implementation of the protocol on free movement of persons and easing regional movement of professionals like medical personnel, engineers, technicians, essential goods and services across borders; and
 - (f) Develop a regional strategy to encourage and promote domestic and regional tourism.
- 67. Council urged Member States to consider:
 - (a) Increasing liquidity and easing monetary controls to stimulate consumption and economic activities in their economies;
 - (b) Improving domestic resources mobilization by mobilizing additional fresh resources and developing strategies and policies to cushion the macroeconomic fundamentals against external shocks and crisis such as COVID-19;
 - (c) Implementing the COMESA and Tripartite guidelines in order to facilitate movement and efficiency in clearance of goods across various border points;

- (d) Seeking debt relief or payment rescheduling to mitigate the effects of COVID-19 and ensure long term debt sustainability;
- (e) Providing targeted stimulus packages for recovery of hardest hit sectors by COVID-19; and
- (f) Enhancing investments in internet infrastructure and penetration to promote online supply of services and reduce costs of communication – mobile, internet and financial services to increase/expand the benefits of digital technology; and
- (g) Strengthening the health systems not only to cater for COVID-19 but other unexpected health crisis and general health needs.

COMESA COVID-19 ONLINE PLATFORM

Decisions

68. Council decided that:
- a) Member States should sensitize and engage stakeholders from public and private sector in the utilization of the online platform;
 - b) The Secretariat should continue providing demand driven technical support including training and sensitization to all stakeholders; and
 - c) Member States may nominate more than two Focal Points considering membership of National COVID- 19 Task Force.

INFRASTRUCTURE PROGRAMMES

Decision

69. Council urged Member States to expedite the compilation of their national implementation action plans (IAP) which detail the activities that Member States must undertake in preparation for the implementation of the Multilateral Cross Border Road Transport Agreement (MCBRTA), Vehicle Load Management Agreement (VLMA) and model laws.

Corridor Trip Monitoring System

Decisions

70. Council :
- (a) Urged Member States to procure handheld devices to facilitate successful rollout of the programme; and
 - (b) Urged Member States to fully participate in the Corridor Trip Monitoring System (CTMS) programme.

Maritime Transport

Decision

71. Council decided that concerned Member States (island and coastal States) be urged to provide the necessary information to the consultant.

Aviation

Decisions

72. Council decided that Member States be urged to:
- (a) Fully participate in the EDF 11 Infrastructure programme to ensure successful implementation; and
 - (b) Make necessary investments in support of seamless operations of the aviation sector in COMESA.

ENERGY

Regional Infrastructure Finance Facility (RIFF) Project

Decision

73. Council decided that Member States requiring Technical Assistance and Capacity Building in creating an enabling environment for private investment in infrastructure (Energy, ICT and Transport), particularly renewable energy and implementation of Public Private Partnerships (PPP) Projects, be urged to submit their requests.

INFORMATION AND COMMUNICATIONS TECHNOLOGIES (ICTs)

Enhancement Governance and Enabling Environment for the ICT Market (EGEE-ICT) in EA-SA-IO Region Programme

Decision

74. Council urged Member States to fully participate in the EGEE-ICT programme implementation process to ensure successful realization of the benefits of the programme .

GENDER AND SOCIAL AFFAIRS PROGRAMS

Decisions

75. Council decided that:
- (a) The Secretariat should negotiate a second phase of the 50MAWS Project for another three years in order to popularize the platform, strengthen outreach interventions at Member States level, reinforce content development and

management, target and encourage users to register and access the benefits of the platform;

- (b) The COMESA Secretariat as the Lead REC Secretariat should retain a lean team to maintain and manage the platform and to facilitate the transition period before second phase kicks in; and
- (c) Member States should assign an officer in the Host Ministry for the Project to Manage and regularly update the platform content.

SOCIAL DEVELOPMENT AND YOUTH EMPOWERMENT

Decisions

- 76. Council decided that:
 - a) The Secretariat should allocate funding for the operationalization of the health desk and recruitment of a public health specialist to coordinate health programmes; and
 - b) The Secretariat should develop and implement social sector specific programs such as education, cultural affairs and health.

Joint COMESA/AUC-AGA Youth Project

Decision

- 77. Council decided that COMESA youth leaders be allowed to participate in the policy organs meetings as observers.

INDUSTRY AND AGRICULTURE PROGRAMMES

Development of COMESA Circular Economy Framework

Decision

- 78. Council directed that the Secretariat should develop a COMESA Circular Economy Framework aimed at promoting green growth, allowing job creation and other opportunities that enable the realization of the full potential of the private sector in the region.

The COMESA Common Investment Area (CCIA) Agreement

Decision

- 79. Council urged Member States to sign, ratify and domesticate the CCIA framework.

COMESA MEDIA AWARDS

Decision

Council decided that the identified winners be appropriately recognized and awarded.

ANNEXES

COMESA BOARD OF EXTERNAL AUDITORS (COBEA) RULES OF PROCEDURE

In exercise of the powers conferred on the Common Market for Eastern and Southern Africa (COMESA) Board of External Auditors (COBEA) by article 169 (3) of The Treaty and Rules 78, 79, 80 and 81 of the COMESA Financial Rules and Regulation, the Rules of Procedure of the COBEA are hereby made::

RULE 1

Citation

These Rules may be cited as the Rules of Procedure of the COMESA Board of External Auditors (hereinafter referred to as "COBEA").

RULE 2

Interpretation

In these Rules, unless the context otherwise requires;

- "Agencies" means the COMESA Institutions or Specialised Agencies that receive funding from the COMESA Member States through the COMESA Secretariat Budget;
- "COBEA" means the COMESA Board of External Auditors;
- "COMESA" means the Common Market of Eastern and Southern Africa;
- "Council" means the COMESA Council of Ministers;
- "Court" means COMESA Court of Justice;
- "ISSAIs" means the International Standards of Supreme Audit Institutions;
- "Secretariat" means the Secretariat of the Common Market established by Article 7 of the COMESA Treaty;
- "Secretary General" means the Secretary General of the COMESA provided for by Article 17 of the COMESA Treaty;
- "Supervisor" means the overall COBEA Audit Teams' Supervisor as provided for in Article 13 of the COBEA Charter;
- "Treaty" means the Treaty establishing the Common Market of Eastern and Southern Africa.

RULE 3

Legal Mandate

The mandate of COBEA is derived from the decision of Council , at its Thirty Sixth Meeting on Administrative and Budgetary Matters held in Antananarivo, Madagascar on 14th and 15th October 2016, to audit the COMESA Secretariat and Agencies by the office of the Auditors General (Supreme Audit Institutions "SAIs") of Member States starting from the financial year 2017.

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RULE 4

Meetings

- (1) COBEA shall convene on an annual basis, in the month of April at the COMESA Headquarters on dates agreed upon by COBEA and the Secretariat pursuant to Article 7 of the COBEA Charter.
- (2) COBEA may convene at such other times and places as may be necessary for the due performance of its duties or at the request of one or more of its members and as agreed to by COBEA Members.
- (3) Three members of COBEA shall constitute a quorum for any decision. A member unable to attend a meeting of COBEA may make his/her views on the matters considered known in writing to the Chairperson of COBEA and the Secretariat of COBEA, or through his/her representative, or by way of telephone or videoconferencing.
- (4) The Chairpersonship of COBEA and of the Audit Operations is based on the principle of sharing of the Chairpersonship on rotational basis as stipulated in COBEA Charter.
- (5) The Chairperson shall:
 - (a) Convene the sessions of the meetings as provided in paragraphs (1) and (2) above;
 - (b) Prepare the provisional agenda for the meetings;
 - (c) Chair the meetings of COBEA;
 - (d) Vote only as a member; and
 - (e) Issue correspondences on behalf of COBEA as may be required.

RULE 5

Independence and Ethics

- (1) COBEA Members and the auditors are independent of the management of COMESA. They also neither seek nor receive instructions from an individual Member State. Each COBEA Member should ensure that his/her auditors adhere to the ethical standards and values stipulated in the COBEA Charter.
- (2) Each COBEA Member should ascertain that the conduct of his/her auditors is in

conformity with the ISSAIs including ISSAI 130 and 140.

- (3) A COBEA Member, the Supervisor of COBEA audit teams or any other auditor assigned in the audit of COMESA or its organs should disclose to COBEA any close relationship with the COMESA management, or other COMESA organs audited by him/her or any other related party.
- (4) The Supervisor of audit teams or any auditor shall not meet in any capacity with Member State representatives and other third parties regarding the work of COBEA or relating thereto either directly or indirectly, without informing the Chairperson of COBEA and obtaining written consent regarding any substantive position to be taken.
- (5) The deliberations and the minutes of COBEA are confidential.
- (6) Prior to every audit engagement, the Audit team members and Supervisor shall report through the "Code of Ethics Declaration working papers" on the implementation of this section on Independence and Ethics, namely PE2 (code of ethics declaration) and PE3 (code of ethics conclusion) as referred in the Financial Audit manual.

RULE 6

Representation of COBEA

- (1) Pursuant to Article 12 of the COBEA Charter, the four Auditors General/Heads of Supreme Audit Institutions of COBEA shall represent COBEA at all meetings where COBEA Audit Reports are subject to discussion or adoption.
- (2) If for any reason it is impracticable for any of the Auditors General/Heads of Supreme Audit Institutions of COBEA to attend, he/she can assign his/her deputy.
- (3) This rule shall not be construed as restricting the right of any SAI of COMESA Members to attend any such conference or meeting. The four distinguished Heads of Supreme Audit Institutions, who are members of COBEA, shall sign the Management Letters and Audit Reports.

RULE 7

Allocation of Audit Assignments

- (1) The Chairperson of COBEA shall decide each teams' composition to audit the Secretariat and its Agencies, including the COMESA Court of Justice, and the assignment of the auditors in each team, in consultation with COBEA members. This allocation will then be communicated to COMESA Secretariat and any other relevant bodies as appropriate.
- (2) COBEA shall continually assess whether the changes in the structure or operations of COMESA warrants a change in the audit assignment allocation and arrangements. In case the scope or structure changes fundamentally, the audit arrangements are considered and updated if necessary, after consultation with the COBEA Members.

RULE 8

Official Correspondence of COBEA

- (1) During the performance of an audit, no correspondence submitted to the COMESA Secretariat or any COMESA organ audited by COBEA should be deemed to be that of COBEA unless it is signed and officially communicated by the Team leader, supervisor or duly directed by COBEA Chairperson, or included in a COBEA's report to the Secretariat or other COMESA organ in the form of management letter.
- (2) Audit queries and findings communicated to management during the audit are not considered instructions

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RULE 9

Conducting the Audit

- (1) Each COBEA Member shall ascertain that the auditors have the professional qualifications and skills as stipulated in Article 14 of COBEA Charter and have a thorough knowledge and experience in auditing and examining public sector operations in accordance with the ISSAIs and the tasks entrusted to them.
- (2) Each auditor must have a good working knowledge of at least one of the official working languages of the COMESA. As such, each auditor shall be qualified to practice in accordance with national laws of Member States as provided for under Article 169(2) of the Treaty.
- (3) Each Member of COBEA Audit Teams shall determine the scope, methods, and resources allocated to conduct an audit in accordance with COBEA's Audit strategy and as stipulated in COBEA Charter. The objective should be to obtain the adequate assurance in discharging COBEA's mandate in the most efficient manner.
- (4) COBEA shall decide whether or not to agree to any request made by the Policy Organs of COMESA, or the management of COMESA Secretariat or other auditees to perform specific or additional audit work.
- (5) COBEA Members or any other auditor from members SAIs of COBEA shall not provide non-audit services to COMESA.

RULE 10

Audit Costs

As stipulated in article 19 of COBEA Charter (Audit Costs), COMESA Secretariat and its organs will be responsible for the cost of travel and transits, Daily Subsistence Allowances (DSA) and any other related costs incurred in the course of the audits, reporting, discussions and other matters related to the audit assignment.

RULE 11

Audit Reports and Management Letters

- (1) In accordance with Article 169 of the COMESA Treaty, COBEA shall produce audit reports and submit them to the COMESA Secretariat and its Agencies along with Management Letters, through the office of the Secretary General. The process of producing these reports shall adhere to the provisions of Article 16 of COBEA Charter covering all phases of the audit process.
- (2) The reports of COBEA shall be prepared in draft form by the Audit Teams for the review and approval by the Audit Teams Supervisor, deputy Auditors General and Auditors General prior to submission to COMESA Secretariat. The draft reports shall be shared with COMESA to consider management responses.
- (3) Each Audit Team Leader and the Supervisor shall have the responsibility to ensure that draft management letters and draft reports submitted to COMESA Secretariat are of a high quality in accordance with the applicable standards and COBEA Audit manual.
- (4) Reports of COBEA shall be prepared in one of the official languages of COMESA. They shall be translated in the other official languages of COMESA . COMESA Secretariat shall bear the cost of translation .
- (5) Except with unanimous consent, the draft of the audit report to be signed by COBEA shall not be considered until the Auditors General, who are COBEA Members, have had five working days to study it. After a report is signed by them, no alterations may be made in the text, except to correct typographical or other obvious errors if exists, without referring to them.
- (6) In the event that a Member dissents from a decision or conclusion of the majority of the COBEA, he/she shall direct that the fact of his/her dissent and the reasons thereof be officially noted in the records of COBEA and communicated to the COMESA Secretary General for submission to the COMESA Council of Ministers to take it in consideration. This is to bear in mind that this dissent does not hinder the issuance of a COBEA decision or COBEA final audit opinion as long as it is approved by the majority of its members.
- (7) Upon signature by the distinguished Auditors General who are COBEA Members, the Chairperson of COBEA shall distribute copies of the reports to COMESA Secretariat and the other COBEA Members.

RULE 12

Quality Review

- (1) Each COBEA auditor shall be responsible to ensure that the audits assigned to him/her : are in compliance with the International Standards for Supreme Audit Institutions, are performed in efficient, and effective manner; are in compliance with all applicable professional ethics; and are in accordance with COBEA Financial Audit Manual.

- (2) Such review shall be carried out through appropriate and sufficient supervision mechanisms planned for during the establishment of the audit teams.
- (3) A quality control checklist shall be completed and signed off for documentation in accordance with COBEA Financial Audit Manual and good practices.

RULE 13

Quality Assurance

- (1) COBEA may voluntarily call for peer reviews of completed audits at least every three years by SAIs of Member States that did not participate in the audits that are subject to the peer reviews .
- (2) In the event that COBEA calls for peer reviews of completed audits, the COMESA Secretariat shall submit the request to the next meeting of the COMESA Council of Ministers for consideration and budgetary allocation, if approved by Council.

RULE 14

Management of Records and Working Papers

- (1) All records of COBEA, such as minutes of the sessions of COBEA, working papers, amongst others, shall be part of the permanent and confidential records of COBEA under the custody of COMESA Secretariat. Reports and audit working papers related thereto or to the activities of the Audit teams are the property of COBEA and shall be kept in such places and in such manner as COBEA Members may direct.
- (2) General correspondences and memoranda formally issued by members of COBEA and the Audit Teams shall be subject to disposal action after a period of ten financial years.
- (3) If one of the auditors needs to view the working papers of a previous year that are within the current COBEA term, he will request them from COBEA Secretariat for the current year through the Supervisor.
- (4) Working papers shall be handed over to the incoming COBEA by the predecessors through the office of the Chief Internal Auditor of the COMESA Secretariat, which acts as the interim COBEA Secretariat.
- (5) Access to audit working papers such as records, correspondence and memoranda of COBEA by third-parties from Member States' such as judiciary or parliamentary institutions, COMESA inspection, investigative or internal audit bodies, shall be determined by COBEA, based on confidentiality principle and the related obligation of the auditor to disclose such acts of fraud, money laundering, drug trafficking and other illegal acts.
- (6) The contents of the audit reports of COMESA Secretariat and its Agencies, including

the Court, shall not be disclosed to any party outside COMESA, until adopted by the COMESA Council of Ministers, or at the request of the Court or any other judicial authority.

RULE 15

Other Matters

- (1) Communications with COBEA by the Secretariat or its Agencies may be made by post, fax or electronic transmission.
- (2) The process of handing over and taking over responsibility from the outgoing COBEA Members to their successors is recorded in an official record kept by COBEA Secretariat amongst COBEA working papers.

RULE 16

Amendment

These Rules may be amended at a meeting of the COMESA Auditors General, subject to adoption by Council.

RULE 17

Entry into Force

These Rules shall enter into force once they have been adopted by the Council.

RULE 18

Status

If there is any conflict between any provisions in these Rules of Procedure and any provisions of the COBEA Charter, the provisions of the Charter shall prevail.

RULE 19

Miscellaneous

- (1) If there is any doubt as to the procedure to be followed in any particular case, or if no procedure is prescribed by or under the Treaty or these Rules, the procedure to be followed shall be determined by the COMESA Auditors General.
- (2) Where COBEA determines that an auditor has breached these Rules of Procedure, it shall refer the matter to the respective national SAI which shall take relevant measures, including disciplinary action or referral to the relevant body responsible for discipline under national law.

ADOPTED by the.....Meeting of the COMESA Council of Ministers..... held on November at Lusaka, Zambia.

Introduction

The Quality Assurance Manual will help COBEA to ensure that the audit performed complied with professional standards (ISSAIs) and the requirements of ISSAI 140, or equivalent professional standards and applicable regulatory and legal requirements (COBEA Audit charter, COBEA Rules of procedures). The quality control system is intended to provide reasonable assurance that COBEA and its personnel comply with professional standards and applicable legal and regulatory requirements, and that audit reports are appropriate in the circumstances.

This manual based on AFROSAI-E Quality Assurance Handbook and tailored to quality assurance review of financial audit.

Chapter 1

Concepts and Related Terms

Article 1.1

Interpretations

In this manual unless the context otherwise provides:

AFROSAI-E means African English-Speaking Supreme Audit Institutions;

COBEA means COMESA Board of External Auditors;

COMESA means Common Market of Eastern and southern Africa;

IFAC means International Federation of Accountants;

INCOSAI means Congress of the International Organisation of Supreme Audit Institutions

INTOSAI means International Organisation of Supreme Audit Institutions;

ISQC-1 means International Standards on Quality Control;

ISSAI means International Standards of Supreme Audit Institutions;

IT means Information Technology;

SAI means Supreme Audit Institution;

QA means Quality Assurance;

QAR means Quality Assurance Review

Article 1.2

Definitions

Quality: The degree to which inherent characteristics of an audit fulfils requirements. These characteristics include significance, reliability, objectivity, relevance, timeliness, clarity, efficiency and effectiveness.

Quality Control: Quality control consists of the systems and practices designed to ensure that COBEA issues reports that are appropriate in the circumstances, and in accordance with applicable legislation (COBEA Audit Charter, Rules of procedures) and standards ISSAIs. This can be ensured by engagement quality control reviews (also known as pre-issuance).

Quality control should be implemented with respect to the following aspects of the audit process:

- i. Planning the audit;
- ii. Executing the audit;
- iii. Evaluating the findings;
- iv. Reporting audit results, including conclusions and recommendations; and
- v. Following up audit reports to ensure that appropriate action is taken.

Quality Assurance (QA): Quality Assurance provides independent assurance to the heads of COBEA (The heads of COBEA refer to the four heads of Member States Supreme Audit Institutions (SAIs) that make up COBEA and who are responsible for auditing COMESA accounts in a given fiscal year according to COBEA Charter that the quality control systems and practices in the COBEA are working effectively and that the COBEA is issuing appropriate reports. It is the mechanism established to ensure that:

- i. Necessary quality controls are established and are being implemented; and
- ii. Potential ways of strengthening or otherwise improving quality controls are identified.

Quality assurance focuses on the design and operation of the quality control system by persons independent of the system /audit under review. The purpose of quality assurance is not to criticize systems/audits but to help ensure that audit products and services meet the required international best practice and meet the needs of stakeholders.

Article 1.3

Quality Control vs Quality Assurance

Although at times quality assurance and quality control are used interchangeably, there is a clear difference in scope and meaning of the two terms.

	QUALITY CONTROL	QUALITY ASSURANCE
1	Quality control involves the policies and procedures through which COBEA ensures that all phases of the audit (planning, execution, reporting and follow-up) are carried out in compliance with COBEA auditing standards, rules, procedures and practices in line with best international practices.	Quality assurance is the process through which COBEA assesses and monitors the system of quality control, including periodic inspection of audit engagements. This assessment is designed to ensure system of quality control is working effectively and that individual audits are carried out in compliance with COBEA standards, rules, practices and procedures. These should be in line with international best practices as reflected in INTOSAI Auditing Standards and the International Federation of Accountants (IFAC) pronouncements and standards and the code of ethics.
2	It is a line function and the responsibility lies with COBEA engagement audit team members.	Quality assurance is an independent function i.e. independent of the engagement team.
3	Quality control is the responsibility of every engagement team member of COBEA and in particular every team member of an audit engagement.	Quality assurance is the responsibility of the specific team or person assigned
4	Quality control takes place throughout the conduct of the audit engagement.	Quality assurance may take place after each phase of the audit is completed, before the audit report is issued or after the audit report is issued.

Article 1.3

Types of quality assurance reviews

There are two types of Quality Assurance Reviews which are internal and external reviews. These are described below:

a) Internal review

The internal review is a periodic review carried out by COBEA to meet the ongoing monitoring requirements of ISSAI 140 or other quality control framework. Internal reviews can be conducted by an established Quality Assurance unit or through a peer review mechanism that includes reviewing the quality of the work of audit teams done by deputy heads of COBEA SAIs upon audit teams who do not belong to their respected countries.

b) External reviews

External Reviews are undertaken by peer SAIs of COMESA Member States that were

independent of the audit. This will be undertaken at least every three years. The external reviewer may rely on the work of the internal quality assurance review if it is assessed to be functioning properly.

Article 1.4

Benefits of Conducting QARs

A QAR allows COBEA benchmark its practices against relevant standards (ISSAI 140 for example) and international best practice. The findings of the QAR will allow COBEA to:

- a) Assess its efficiency and effectiveness;
- b) Evaluate its current needs in conjunction with future goals of the COBEA;
- c) Appraise the risk to the COBEA if the staff is performing below satisfactory levels or is not in conformity to professional standards, applicable legal and regulatory requirements and COBEA's policies and procedures; and
- d) Plan and implement strategies for upgrading COBEA's policies and procedures and knowledge and skills of staff. The ultimate benefit being an improved COBEA with the facilities and ability to produce audit reports appropriate to the circumstances.

Article 1.5

Scope and approach

The scope of quality assurance reviews (QARs) extends to all the relevant activities being carried out by COBEA in relation to COMESA audit. It involves assessing the controls in place and determining whether they are being followed and whether they are consistent with the relevant standards such as ISQC-1 and ISAs and/or ISSAIs.

INDIVIDUAL AUDIT LEVEL QAR: The QAR at this level examines the practices followed and the documentation produced by audit teams to assess whether audits meet the requirements of the relevant standards such as ISSAIs and ISAs. The QAR is aimed at assisting COBEA to improve its functioning and thereby reduce its risks.

CHAPTER 2

The Quality Control System

Article 2.1

Introduction

As required by standards, management of COBEA is responsible to establish a system of quality control with the objective of providing reasonable assurance that:

- a) personnel comply with professional standards and regulatory and legal requirements; and
- b) reports issued are appropriate in the circumstances.

Article 2.2

Elements of QA system

The quality control system of COBEA includes all the documented policies and procedures necessary to achieve the objectives referred to in Article 2.1. For that purpose Members of COBEA are required to understand the processes, directly or indirectly contributing to the quality of their primary output or product, namely the audit reports. In that respect, both IFAC (ISQC1) and INTOSAI standards (ISSAI 140) have outlined the main requirements in the following categories:

- a) Leadership responsibilities for quality within the COBEA;
- b) Relevant ethical requirements;
- c) Acceptance and continuance of client relationships and specific engagements;
- d) Human resources;
- e) Engagement performance; and
- f) Monitoring.

Article 2.3

ISSAI 140 Requirements

ISSAI 140 was formally adopted at the INCOSAI 2010, and draws on the private sector IFAC standard, ISQC1. The ISSAI 140 contains six elements that form part of the quality control cycle, starting with leadership and ending with monitoring.

- a) Leadership responsibilities for quality within COBEA

COBEA should establish policies and procedures designed to promote an internal culture recognizing that quality is essential in performing its audit work. Such policies and procedures should be set by the Heads COBEA of, who retains overall responsibility for the system of quality control. The Heads of COBEA may however delegate authority for managing the COBEAs' system of quality control to a person or persons with sufficient and

appropriate experience.

The quality control policies and procedures shall not only be adopted, but also implemented by being communicated to COBEA personnel and adhered to.

b) Relevant ethical requirements

COBEA should establish policies and procedures designed to provide it with reasonable assurance that Heads of COBEA, including all personnel performing the audit, comply with relevant ethical requirements.

It is important that the leadership within COBEA sets the tone at the top and lead by example in relation to appropriate ethical behaviour. The main reference point shall be the INTOSAI Code of Ethics (ISSAI 130).

c) Acceptance and continuance

Before commencing the audit assignments, COBEA must provide itself with reasonable assurance that it will only carry out the audits where COBEA:

- i. is competent to perform the work and has the capabilities, including time and resources to carry out the audit assignment;
- ii. can comply with relevant ethical requirements; and
- iii. has considered the integrity of the organization being audited and has considered how to treat the risk to quality that arises.

d) Human resources

COBEA's most important asset is its engagement team members. In order to fulfill its mandate and perform high quality audits COBEA must ensure that it has sufficient resources (personnel) with the competence, capabilities and commitment to ethical principles necessary to:

- i. carry out audit work in accordance with relevant standards and applicable legal and regulatory requirements; and
- ii. enable the SAI to issue reports that are appropriate in the circumstances.

e) Performance of audits and other work

The audit work carried out by COBEA must be consistent and of good quality. COBEA is responsible for establishing routines and procedures that the line management and reviewers of the audit apply proper quality control of the audits. Such quality control procedures shall include

- i. matters relevant to promoting consistency in the quality of the work performed;
- ii. supervision responsibilities; and
- iii. review responsibilities.

This means that all work carried out should be subject to review as a means of contributing to quality and promoting learning and personnel development. COBEA may also consider

when to use pre-issuance reviews of audits that are considered particularly material and risky.

f) Monitoring

COBEA must ensure that the policies and procedures of the quality control system are strictly adhered to. A monitoring system, that assesses the relevancy and adequacy of the quality controls, should therefore be in place. It should include the following:

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- i. include an ongoing consideration and evaluation of the COBEA's system of quality control, including a review of a sample of completed work across the range of work carried out by COBEA;
- ii. require responsibility for the monitoring process to be assigned to an individual or individuals with sufficient and appropriate experience and authority in the COBEA to assume that responsibility; and
- iii. require that those carrying out the review are independent (i.e. they have not taken part in the work or any quality control review of the work.)

The monitoring of the quality control system should be reported to the Heads of COBEA in a timely manner.

Chapter 3

The Quality Assurance Function

Article 3.1

Introduction

ISSAI 140 states that the COBEA shall establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.

Monitoring consists primarily of understanding COBEA's control system and determining whether, and to what extent, this control system is operating effectively. It also includes developing recommendations to improve the system, especially if weaknesses are detected and if standards have changed. The monitoring of the Quality Control System in COBEA would normally be done by the Quality Assurance Function which has been set for that purpose.

Article 3.2

Objectives of the Quality Assurance Function

The objectives of the QA function should be in line with ISSAI 140 which states that the COBEA should develop monitoring policies and procedures which would include objective consideration and evaluation of:

- a) The degree of compliance with quality control policies and procedures, and adherence to professional standards and regulatory and legal requirements;
- b) The relevance and adequacy of the quality control policies and procedures;
- c) How current and consistent policies and procedures are with developments in the profession;
- d) The COBEA's quality assurance and ethics culture (including evidence that there is compliance with policies and procedures as they relate to independence);
- e) The appropriateness of the guidance materials and technical resources provided;
- f) The COBEA's internal inspection processes;
- g) The content, timing, and effectiveness of communications to COBEA members concerning quality control issues (including information on weaknesses within the system which have been identified and any corrective actions to be taken, as well as suggested improvements to the system as a result of any evaluations); and
- h) Determination of the effectiveness of the follow-up once the process has been completed (for example, are the necessary modifications undertaken on a

timely basis).

Article 3.3

Setting up the Quality Assurance Team of COBEA

Key decisions

- a) Assessing the COBEA's needs for the QA function;
- b) Creating and maintaining engagement team members awareness of the QA function;
- c) Developing (or adapting) a QA Manual;
- d) Setting up the QA reviewers Team; and
- e) Managing the QA function.

Article 3.3.1

Objectives of the Quality Assurance function

The main aim of the quality assurance function within COBEA is to provide assurance to the heads of the COBEA (the heads of COBEA refer to the four heads of member states Supreme Audit Institutions (SAIs) that make up COBEA who are responsible for auditing COMESA accounts in a given fiscal year according to COBEA Charter) that the COBEA's system of quality control is appropriately designed and effectively implemented and that audit reports that have been issued are appropriate. When weaknesses in quality control are identified at individual audit levels, the quality assurance function suggests strategies for correcting those weaknesses. Quality assurance is therefore a constant process to ensure compliance with the quality control system. The quality assurance function also provides ongoing assurance to the heads of the COBEA that audit reports that have been issued are appropriate.

Article 3.3.2

Assessing needs for a Quality Assurance function in COBEA

The purpose of a need assessment is to identify gaps between the requirements of professional standards and best practice and actual practice of the QA within the COBEA. The assessment allows for management to help determine contents of the policy, detailed guidelines, tools, staff, and budget as well as infrastructure relating to the QA function.

The assessment exercise can be conducted either by internal staff of the COBEA (creating a task force) at middle and higher management levels, or by another COBEA in the AFROSAI-E region as well as outside the region such as INTOSAI, IDI, etc.

- a) While compiling a task force, the following aspects should be considered:
 - i. Qualifications of the team members;
 - ii. Positioning of the task force with respect to management's influence;
 - iii. Consideration of the future involvement of the task force members in QA

activities; and

- iv. Terms and reference aspects such as duties, responsibilities, time frame, etc.

The assessment tools may include QA surveys, questionnaires, interviews, focus group discussions and reviews of documents, including documents of COBEA's with experience in QA.

- b) While assessing the needs of the QA function, the following factors may be considered:
 - i. QA practices in COBEA with more experience in this subject;
 - ii. Rules and regulations regarding the requirements for a QA function;
 - iii. Status of quality controls in the COBEA;
 - iv. Number and level of qualifications of COBEA staff

It is recommended that COBEA start to develop the QA function focusing on regularity audit, as it is by far the largest audit discipline.

Article 3.3.5

Creating and maintaining engagement team awareness

Staff awareness is a critical aspect for the implementation of an effective QA function. Quality control is the responsibility of all the staff from the heads of COBEA down to the lowest level and requires a clear understanding of the COBEA's quality control framework. As part of the understanding of the COBEA's overall quality control framework, the staff of the COBEA should understand the role and importance of the quality assurance function in contributing to the quality in the COBEA.

The QA unit of the COBEA together with senior management should create and maintain an awareness at all levels of staff of the role of QA.

Article 3.3.6

Establishing a Quality Assurance function

The COBEA has a number of options for setting up a QA function. Establishing a stand-alone QA unit is one of the available approaches although it may not always be feasible to set up a separate QA unit.

Article 3.3.7

Options

Due to the limited number of staff in COBEA, it may not be feasible to create a separate QA function. The COBEA can select from the following options to establish the QA function:

- a) Allocate staff to form a separate QA unit;
- b) In the case of shortages of staff: Assign special QA duties to staff (peer reviews) in rotation (different teams can perform the QA function) or
- c) Form QA committee(s);

- d) Arrange QA reviews by other SAls or other professional bodies; and
- e) Hire external experts to periodically assess the COBEA's quality control systems.

Article 3.3.8

External reviewers

COBEA may acquire expertise from qualified specialists, consultants and technical experts, professional associations and other organizations, as needed to conduct QA reviews. The experts may give technical advice to the COBEA at the latter's request. COBEA shall ensure that the specialists and experts are qualified and have competence in their areas of specialization and shall document such assurance.

Article 3.3.9

Staffing the Quality Assurance Function

If COBEA decides to establish a separate QA unit, the size of the unit will depend on the size of the COBEA and also the stage of its technical development. The QA manager may have two to four auditors assigned as QA reviewers. Only experienced, qualified auditors who have demonstrated a good understanding of the COBEA audit procedures shall be assigned to the QA function.

1) Competencies of QA staff

The QA team should collectively possess the following competencies:

- a) Analytical skills;
- b) Ability to synthesize;
- c) Interpersonal skills;
- d) Communication skills;
- e) Facilitation skills;
- f) Audit experience in all areas;
- g) Managerial abilities;
- h) Negotiation skills; and
- i) Assertiveness.

The reviewers should be auditors who are experienced and skilled in implementing the COBEA's audit procedures. In order to be credible, quality reviewers should have skills equal to or preferably higher than those who performed the audit. Possession of the above-mentioned skills enable team members to implement review practices effectively and produce a credible report. It can also add value if the team has other skills relevant to the audit being reviewed such as IT auditors or those with skills in regularity audit or performance audit.

On occasion, it can be a significant challenge to identify and establish a team with all the necessary competencies. In some cases, all the requisite skills and experience may not be available in the QA team. The QA team can be supplemented by using experts in particular areas.

The knowledge and skills of the QA staff are significant elements of an efficient and effective QA function. Therefore, it is essential to ensure the continuous professional development of the QA staff. The QA staff should have collective knowledge and experience of their subject matter to fulfill their roles and responsibilities effectively. In addition to having sufficient knowledge, skills and competencies, it is essential that the QA function be led by a person with sufficient and appropriate experience and authority to undertake the task.

COBEA management also need to consider how to instill the appropriate ethical values in the QA team. These values include the following:

1) Independence, objectivity and impartiality

The reviewer should be independent from the audit team. Quality reviewers should behave in a way that demonstrates their independence. The following criteria should be considered in this regard:

- a) The reviewer should not be a member of the audit team, and should not be selected by the audit team;
- b) A senior COBEA official should be responsible for selection and appointment of the reviewers;
- c) It may be considered to appoint reviewers at the COBEA's central level;
- d) The reviewer does not otherwise participate in the audit; and
- e) The reviewer does not make decisions for the audit team.

2) Integrity

Reviewers have a duty to adhere to high standards of behaviour (e.g. honesty and openness) in the course of their work and in their relationships with engagement team members and the staff COMESA. In order to sustain confidence, the conduct of reviewers shall be above suspicion and reproach. Reviewers should not indulge in any corrupt practices. Reviewers shall protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing their independence and integrity.

3) Conflict of Interest

Quality reviewers shall take steps to ensure that there is no real or perceived conflict of interest such as being involved in reviews that may include audits that they participated in.

4) Professional Secrecy

Reviewers shall not disclose information obtained in the reviewing process to third parties, neither verbally nor in writing, except for the purposes of meeting the QAR objectives.

5) Professional Competence and Due Care

Reviewers have a duty to conduct themselves in a professional manner at all times, and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality. Reviewers must not undertake work they are not competent to perform. Reviewers shall know and follow applicable auditing, accounting and financial management standards, policies, procedures and practices.

6) Functions of Quality Assurance Team

The team will review the adequacy of, and compliance to, quality controls at individual audit level. The QA reports shall identify weaknesses and propose recommendations for consideration and follow-up action by the COBEA's top management. The team will also conduct follow-ups to assess the status of implementation of their recommendations. They will assess the outcome of those recommendations that were implemented, and identify reasons for non-implementation of any particular recommendation.

7) Roles of Quality Assurance Staff

The roles of the different levels of QA staff are briefly explained below:

a) Team Leader

The team leader, will:

- i. report to the COBEA;
- ii. be responsible for overall aspects of the Quality Assurance function; and
- iii. formulate strategies to carry out the Quality Assurance function and measure outcomes.

The team leader will also assume the overall responsibilities in the following stages:

A. Planning Stage:

- i. establish review objectives, scope, time, and targets;
- ii. formulate the review methodology;
- iii. delegate the responsibilities to team members; and
- iv. design the review programme.

B. Implementation Stage:

- i. provide advice and necessary guidance to the team members about the plan, objectives, and on conducting the review;
- ii. monitor and assure the Quality Assurance Review process is in keeping with quality assurance standards, policies, and procedures; and
- iii. analyze the findings and articulate the conclusions and recommendations.

C. Reporting and Follow-up Stage:

- i. write or review the audit reports and discuss and present the findings to the COBEA; and
- ii. follow up on any outstanding issues.

D. Team Members

The team members shall be responsible to the team leader for the following:

- i. conducting the review, based on the plan agreed on in the planning stage and according to standards and procedures;
- ii. gathering evidence to support findings through interviews, documentation reviews, and observations
- iii. preparing and documenting necessary working papers to support findings; and
- iv. preparing a draft report on the findings.

The QA staff should have collective knowledge and experience of their subject matter to fulfil their roles and responsibilities effectively.

Article 3.4

Planning, Executing and Reporting on Quality Assurance Reviews



3.4.1 Planning the quality assurance review

The planning process involves the preparation of two categories of plans:

- b) QA Strategy / Long Term Plan (This can be an overall or long term plan for carrying out reviews at the financial audit level);

- c) An individual engagement review plan.

These plans may include that the frequency in which that COBEA's an individual engagement level QA review took place (in two year or in three year interval).

Article 3.4.2

Execution

- a) At the individual engagement level, the Quality Assurance Review shall cover the following:
 - i. An evaluation of adherence to professional standards and applicable regulatory and legal requirements;
 - ii. The results from evaluating elements of the quality control system;
 - iii. An evaluation of whether the COBEA has appropriately applied quality control policies and procedures;
 - iv. An evaluation of whether the engagement report (for individual engagements) is appropriate in the circumstances;
 - v. Identification of any deficiencies, their effect, and a decision on whether further action is necessary, describing this action in detail; and
 - vi. A summary of results and conclusions reached (provided to the COBEA), with recommendations for corrective actions or changes needed.
- b) The evidence gathering activities include:
 - i. Document review;
 - ii. Interviews;
 - iii. Surveys;
 - iv. Focus Group; and
 - v. Physical observation

Article 3.4.3

Reporting on the Results of Quality Assurance Reviews

According to ISSAI 140, the Quality Assurance function should communicate the results of the monitoring process at least annually. The report should include a detailed description of the monitoring process and its conclusions on the COBEA's overall compliance and effectiveness.

The report should, at a minimum, include:

- a) A description of the monitoring procedures performed;

- b) The conclusions drawn from the monitoring procedures; and
- c) Where relevant, a description of systemic, repetitive or other significant deficiencies and of the actions recommended to resolve these deficiencies.

Article 3.4.4

Quality Assurance Action Plan

Based on the shortcomings identified by the Review Team in the draft report, the COBEA Heads shall assign a senior official to draw up the Action Plan which details how COBEA will remedy the common deficiencies identified by the QA review team.

Article 3.4.5

Follow-up Actions

The quality Assurance review process can only be effective if it has a monitoring mechanism within it. The onus is on the COBEA Heads to put in place mechanisms which ensure that corrective action is implemented by the deadlines specified in the Action Plan.

Chapter 4

Review of Regularity Audit

Article 4.1

Introduction

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The review of the regularity audit function shall cover the whole audit cycle, starting with overall audit planning and ending with the issuance of the management letter and audit report by COBEA and submit them to the COMESA Secretary General. The reviewers must apply a combination of methods, reviewing planning documents, interview audit managers and staff, review audit files and the final audit report of COBEA.

In this chapter, reference will be made to relevant ISSAIs, in particular the ISSAI 140 on Quality Control. The main aim is to assess whether the audits are carried out in compliance with the ISSAIs, which provides the necessary assurance that they possess quality.

The most important documents would be:

- a) Audit manual
- b) Annual audit report
- c) Last QA review report (showing the areas of deficiencies)
- d) List of audits completed (in the previous audit period)

These documents will give an understanding of how regularity audits are being planned, conducted and reported. The documents will also enable the QA reviewers to assess institutional aspects relating to the area of regularity audit

The QA activity plan should include business units subjected for review and date and time for interviews to be carried out with the managers and audit teams. As early as possible the QA reviewers should make interview appointments. The plan should also specify dates for feedback meeting with the various managers and audit teams and for the finalization of the QA report.

Article 4.2

Conducting the Regularity Audit QA Review

The review shall be comprehensive and focus on all areas involved and cover the whole cycle starting from the overall audit planning to the production of the regularity audit reports. The QA review shall include the following:

- a. Interviews with the responsible managers for regularity audit to understand how the audit plan was developed, how it was implemented, and lessons learned during the audit year. The managers should also provide their expectations for the QA review and request that the QA reviewers look at specific areas. The QA reviewers may independently choose whether to revise their QA review scope based on the interviews.

- a) Review of individual regularity audit files is based on in the questionnaire in Annex 4.1. This focuses on the planning, execution and reporting of regularity audits. Reference is made to the applicable standards in the questionnaire. When reviewing the files, the QA review team should first obtain an overall understanding of the quality of the audit before concluding on each individual question. The QA review team may want to discuss preliminary findings with the audit team to seek clarifications and to obtain further documentation.
- b) Discussions with the audit teams and the responsible managers
- c) Clarifications and discussions with the audit teams for the sampled audits;
- d) Clarifications and discussions with the responsible managers for the sampled audits; and Discuss observations with both audit teams and management.

Article 4.3

Using the quality assurance questionnaire for Regularity Audit

- a) Review of individual audit files for regularity audit

The questions are meant to function as a checklist, ensuring that all relevant standards and best practices have been covered during the review and are quite focused and detailed in nature. They are linked to the level 4 ISSAIs – the implementation guidelines.

The questions in the questionnaire can also be found in the AFROSAI-E regularity audit manual (RAM). If the reviewed audits have been carried out using the RAM, there should be evidence on file that the relevant RAM working papers have been used.

If the COBEA uses a methodology different to that outlined in the AFROSAI-E RAM, then it is important to ensure that the alternative methodology and working papers used enable the audit teams to comply with the requirements of the ISSAIs.

The Reviewer must consider all the issues being addressed in the specific question in relation to what is contained in the working paper file rather than completion of the checklist in a mechanistic or haphazard manner. The reviewer must exercise professional judgment in assessing whether information in the working papers is sufficiently complete and in compliance with the requirements of the ISSAIs.

Questions that are not deemed relevant or applicable for the audit can be omitted provided that adequate explanation for this is provided.

- b) Recording Form

All information gathered and observations made must be recorded methodically, so as to support the evidence on conclusions drawn by the reviewers. Preferably, the information obtained from the Quality Control Checklist (Annexure 1) should be summarised and recorded in a standard format. The Quality Assurance Review Recording Form shown below may be used for this purpose. The reviewer may supplement the Form with additional material, if required. It is recommended that a Quality Assurance Review Recording Form shall be completed to summarise review findings for the files reviewed under each manager.

However, the actual use will depend on the circumstances of each SAI.

Quality Assurance Review Recording Form Observation

Observation	Causal Factor	Comments from	Recommendations
		Audit Team/Manager	By Reviewer

Article 4.4

Writing the quality assurance report for Regularity Audit

- a) The QA report for regularity audit shall include the following:
 - i. Standards and best practices (this is the criteria used during the review);
 - ii. The situation at the SAI; and
 - iii. Recommendations.

Please find details relating to this below.

- b) Standards and best practices

References to ISSAIs and best practice are included in this section. It is important that the reviewer measures compliance against these standards. If there are other ISSAIs and best practices that are deemed relevant by the reviewer, these shall also be included. Therefore, it is important that the reviewer has a good knowledge of the ISSAI framework.

- c) Situation at COBEA

The reviewer shall strive towards painting a complete, holistic and truthful picture of the situation at COBEA. The text should include information on how COBEA is performing on certain areas for example, on overall audit planning, reporting to audit client, quality assurance etc. The reviewer should have good writing and analytical skills to be able to describe the situation accurately, how COBEA is complying to the standards and also identify the root causes for any deficiencies.

It shall be strongly underlined that the reviewer should write this section in a comprehensive manner. The reviewer shall avoid providing only bullet points and incomplete sentences.

- d) Recommendations

Recommendations given by the reviewer should be clearly linked to observations made in "Situation at the COBEA". It is important to tailor recommendations to the specific challenges relating to the particular audits under review and not simply re-use previous formulations.

In order to formulate adequate recommendations, the reviewer should have a comprehensive overview of existing best practices, including AFROSAI-E materials that may prove helpful.

Annex 1: Quality control check lists per the audit phase

Pre-requisite					
The objective of the pre-requisite phase is for the auditor to assess whether the preconditions for an audit of financial statements have been met.					
	Question	Reference to WP	Yes	No	Comments
1	Has the auditor assessed the financial reporting framework being used to prepare the financial statements as being acceptable?	P1. Evaluating the Financial Reporting Framework			
2	Management of COMESA acknowledges and understand the responsibility of:	"			
	a) Preparing the financial statements in accordance with the applicable financial reporting framework.	"			
	b) Internal control that management deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.	"			
	c) Provide the auditor with unrestricted access to all information of which it is aware and that is relevant to the preparation of the financial statements.	"			

PRE-ENGAGEMENT ACTIVITIES
<p>COBEA shall ensure that the audit team:</p> <ul style="list-style-type: none"> a. possesses the require skills to perform the audit; and b. has complied with the ethical requirements <p>COBEA shall plan its audits realistically through time budgets. Time and resources allocated should be linked with an overall risk assessment of the COMESA, considering among others their integrity. Competency aspects must be taken into account when allocating resources. The audit team shall reflect on whether it possesses the required competence, given the nature of the auditee and the overall risk assessment. It is equally important is to assess whether those involved in the audits comply with the ethical requirements determined by COBEA and by INTOSAI.</p>

-	Question	Reference to WPs	Yes	No	Comments
1	Was there a time budget for the audit engagement?	PE1.Budget vs Actual			
2	Do all audit team members (with special emphasis on management) comply with the office's requirements in terms of independence and ethical requirements as declared at the beginning of the audit?	PE3.Code of Ethics Declaration.			
3	Did the manager responsible for the audit ensure that team members comply with ethical requirements?	PE4.Code of Ethics Conclusion			
4	Are audit staff available that have the degree of technical training and proficiency required to perform the audit as an audit team?	PE2. Competency Matrix			
5	Are responsibilities for audit tasks and review clearly defined and will reviews be performed at the appropriate level?	PE5.Team Agreement			
6	Have the contents of the engagement letter been agreed to and signed by the auditee?	<i>PE6.Engagement Letter</i>			
7	Were contents of the engagement letter communicated to the auditee? (minutes of the meeting)	<i>PE7.Minutes of entry meeting</i>			

UNDERSTANDING COMESA AND ITS ENVIRONMENT

The audit team should have an understanding of COMESA and its environment, including internal control procedures that are relevant to the audit. The audit team should understand COMESA by assessing:

- a) the environment, regulations and other external factors;
- b) operations, governance structure and funding;
- c) classes of transactions, account balances and disclosures to be expected in the financial statements;
- d) decisions initiated outside the audited entity as a result of political processes;
- e) specific laws and regulations to which the audited entity is subject; and
- f) programme objectives and strategies, which may include public policy.

	Question		Yes	No	Comments
1	Was information regarding the entity, address, key contact persons for the auditee identified and documented?	UE. step 1-			
2	Were those charged with governance, including audit committee (where applicable) properly identified and their roles understood?	UE. step 2- Governance structure			
3	Was the internal audit department function appropriately evaluated?	UE. step 2- Governance structures			
4	If reliance is planned on the work of Internal auditors was their work reviewed?	UE. step 2- Governance structures			
5	Did the audit team obtain knowledge of the entity, through laws and regulations including its financial statements and accounting policies?	UE step 3- Legislative framework			
6	Was the mandate of the auditee identified including the source of finance and decisions due to political processes evaluated and documented?	UE. step 4- Operational environment			
7	Were fraud risk factors considered and identified?	UE. step 5-fraud checklist			

8	Was a meeting held with the engagement team to discuss the susceptibility of the financial statements to material misstatement due to fraud or error?	UE. step 5-fraud checklist			
9	Were the auditee's internal control environment, risk assessment process, control activities and monitoring of controls adequately evaluated and considered	UE step 6.1 – Internal control.			
10	Were the IT internal controls adequately evaluated and considered?	UE step 6.2 – IT control checklist			
11	Have prior year's issues been identified as risk areas?	UE step 7-Other consideration			
12	Were appropriate considerations given to the sustainability of services or going-concern?	UE step 7-Other consideration			
13	If an expert's work is required, was their work evaluated for the purposes of the audit?	UE step 7-Other consideration			
14	Were related parties identified and their transactions documents?	UE step 7-Other consideration			
15	Are there any services that have been outsourced affecting the financial statement and have these been identified and documented?	UE step 7-Other consideration			
16	Have all material balances in the financial statements been identified for audit coverage and cross referenced to the final audited financial statement?	UE step 8-lead schedule			
17	Were analytical procedures performed and conclusions on risks adequately drawn?	UE step 8-lead schedule			

18	Were all the risks identified in the understanding of the entity and its environment working papers, assessed and proposed response indicated account balances, classes of transaction or disclosure?	All working papers			
MATERIALITY					
According to ISSAI 1320 the auditor shall determine materiality for financial statement as a whole. Furthermore, the auditor shall apply the concept of materiality in an appropriate manner when planning and performing the audit					
	Question	WP Reference	Yes	No	Comments
1	Was an acceptable overall materiality level set for the audit in accordance with the SAI policy? a) were reasons for benchmark used stated b) was Performance Materiality based on the level of RMM	M1. Materiality			
2	Were qualitative materiality factors appropriately identified and documented? (no compliance matters were used)	Materiality			
RISK ASSESSMENT AND RESPONSE ON A FINANCIAL STATEMENT LEVEL					
<p>The objective of risk assessment phase is to assess the risks of material misstatement:</p> <ul style="list-style-type: none"> a. On a financial statement level; and b. For audited classes of transactions, account balances and disclosures as identified in the Lead schedule for audit. <p>The objective of the risk response phase is to design appropriate audit procedures to address the assessed risks of material misstatement in the financial statements. The auditor shall design an appropriate mix of tests of controls and substantive procedures to provide audit evidence and reasonable assurance at the assertion level.</p>					
	Question	Reference to WPs	Yes	No	Comments
1	Were risks pervasive to the financial statements adequately identified?	RA 2. Risk register			
2	Were relevant audit responses identified?	RA 2. Risk register			

3	Was risk of material misstatement (RMM) on a financial statement level adequately determined?	<i>RA 1. Risk assessment and response on a financial statement level</i>			
4	Did the engagement team discuss the susceptibility of the financial statements to material misstatement due to fraud and error and was this duly documented?	RA 4. Engagement Team discussion			
5	Is there an overall audit strategy document for the audit? a) Adequately reflect audit conclusions made so far; b) Discussed with COMESA's management; c) Communicated to the audit team.	RA 5. Overall Audit Strategy			
RISK ASSESSMENT AND RESPONSE AT ASSERTION LEVEL					
	Question	Reference to WPs	Yes	No	Comments
1	Were all relevant risks documented and responded to for all material account balances, classes of transaction or disclosure account?	<i>RA 2. Risk register</i>			
2	Were all assertions relevant to the account balances, classes of transaction or disclosure identified?	<i>RA 2. Risk register</i>			
3	Were processes and key internal controls of the auditee addressing the risks documented?	RA 3. Risk assessment and response on a component level			
4	Were walkthrough tests performed to confirm such processes and key controls?	RA 3. Risk assessment and response on a component level			
5	Where applicable, did the walkthrough test support the preliminary control reliance?	RA 3. Risk assessment and response on a component level			

6	Were tests of controls performed where control reliance was planned?	RA 3. Risk assessment and response on a component level			
7	Did the tests of controls cover the whole financial year audited?	RA 3. Risk assessment and response on a component level			
8	Were audit programs including tests of controls approved prior to performing the audit?	RA 3. Risk assessment and response on a component level			
9	Were tests of controls performed for significant risk areas where possible?	RA 3. Risk assessment and response on a component level			
10	Was the correct number of sample items selected for tests of controls?	RA 3. Risk assessment and response on a component level			
11	Were substantive procedures developed for all material account balances account balances, classes of transaction or disclosure?	RA 3. Risk assessment and response on a component level			
12	Was the use of substantive analytical procedures, where applicable, considered?	RA 3. Risk assessment and response on a component level			

PERFORMING THE AUDIT

According to ISSAI 130 on the Auditor's Responses to Assessed Risks, the auditor shall design and perform further audit procedures whose nature, timing, and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level.

	Question	Reference to W	Yes	No	Comment
1	Were the samples selected for testing reasonable and representative of the population? (refer to PA 1 Test of Controls)	PA.1 Test of control			
2	Were tests of controls results properly assessed and evaluated? (refer to PA 1 Test of Controls)	PA.1 Test of control			
3	Was the level of control reliance appropriately re-stated where necessary after tests of controls? (refer to RA 3 Audit Responses for Components)	RA.3 Risk-response-for-components			
4	Were substantive procedures developed and performed to adequately address all relevant audited components? (Refer to PA 4 Substantive Tests of Details -100% testing & PA 5- Substantive Tests of Details- Testing SAMPLE)	PA.4 Test of details			
5	Was the use of substantive analytical procedures performed where applicable to reduce the performance and concluded (refer to PA 3 Substantive Analytical Procedures)	PA. 3 Substantive Analytical Procedures			
6	Before commencement of detailed substantive testing was the source documentation, direction of testing, population size, sample method used and sample size to be tested indicated? (refer to PA 5.A Substantive Test of Details)	All working paper			

7	Was sufficient audit evidence gathered to satisfy the required level of assurance? PA 4 Substantive Tests of Details -100% testing & PA 5- Substantive Tests of Details-Testing SAMPLE)	PA.5 Substantive Tests of Details-Testing Sample			
8	Where all the audit working papers and audit procedures properly completed and concluded (to all re-performance by a third party and arrive at the same conclusion)? (refer to PA 5 B Substantive Tests of Details-Testing a SAMPLE)	PA.5 Substantive Tests of Details-Testing Sample			
9	Were all relevant audit queries/ exceptions appropriately raised? (refer to P3 Audit Query)	Are exceptions supported by and cross referenced to audit evidence?			
10	Are well-supported conclusions stated for each component?)	All working papers			
11	Is there a clear and traceable link between the audited financial statements and the audit procedures performed?	All working papers			
12	Were conclusions drawn on all queries, exceptions and review points either satisfactorily resolved and the impact on the auditor's report determined?	All working papers			
13	Was materiality considered during the evaluation of the results of procedures performed and were proper conclusions reached in this regard?	All working papers			
14	If the audit approach had been changed during the audit, was the reason for the change documented?	All working papers			
15	Where accounting estimates, e.g. provision for bad debt, depreciation adequately assessed for reasonableness and were differences correctly followed up?	PA.5 Substantive Tests of Details-Testing Sample			

16	Are adjusting year-end journal entries adequately supported by the working papers, cross-referenced to appropriate schedules and agreed with the financial statements?	All working papers			
18	Was each step of the audit procedures initialed and cross-referenced to the working paper with evidence to indicate that the work was completed?	All working papers			
19	Were the financial statements checked to determine whether they were consistent with those of the previous financial year and consistent with the supporting schedules?	PA. 2 Lead Schedule			
20	Is there evidence that the auditor verified that the audited financial statements and notes thereto are properly presented and meet the applicable standards and prescribed format	PA. 2 Lead Schedule			
21	Were procedures executed to identify subsequent events? (Refer to PA 7 Subsequent events FS level)	PA 7. Subsequent events			
22	Was the aggregate effect of the differences with financial impact evaluated and concluded on in order to assess the impact on the auditor's report? (Refer to PA 6 Prior and Current misstatements and corrections FS level)	PA 6 Prior and Current misstatements and corrections FS level)			
23	Was the planning materiality level re-stated and the impact of this considered on the audit work where appropriate?	M1. Materiality and all performing the working papers			
24	When use was made of the experts work did the auditor obtain sufficient, appropriate audit evidence that such work is adequate for the purposes of the audit?)	UE.1 step 7 Understanding the entity			

Reporting					
MANAGEMENT LETTER					
ISSAI 139 – 142, the auditor shall keep a full record of misstatements identified during the audit, and communicate to management and those charged with governance, as appropriate and on a timely basis, all misstatements recorded during the course of the audit.					
	Question	Reference to WP	Yes	No	Comments
1	Was a properly tailored management representation letter obtained which was signed on a date close to (but prior to) the signing of the audit report?	R4. Management Representation letter			
2	Where a representation letter was refused, was a possible limitation of scope considered	R3 Audit Report and PA 6. Prior and Current misstatements and corrections FS level			
3	Was there a management letter for discussion with the management of COMESA?	Ra 6. Minutes of exit meeting			
4	Does the management letter set out:	R2. Management Letter			
	a) Clear statement of the problem, including possible causes and consequences (e.g. weaknesses in internal control);				
	b) Practical and cost-effective recommendations in terms of non-existing or non-functioning internal controls;				
	c) Conclusion by auditor whether the matter is resolved, unresolved and whether it will be included in the audit report				
5	Was the management letter signed by the person assigned by the Head of SAI to perform the audit?	R2. Management Letter			
6	Was there adequate communication with the auditee throughout the audit and with the compilation of the final management letter?	R2. Management Letter			

7	Did reported findings have relevant supporting documentation such as working papers and audit evidence.	All working papers			
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Reporting					
Audit Report					
ISSAI 200 para 143 -147, the auditor shall form an opinion based on an evaluation of the conclusions drawn from the audit evidence obtained, as to whether the financial statements as a whole are prepared in accordance with the applicable financial reporting framework. The opinion shall be expressed clearly in a written report that also describes the basis for the opinion.					
	Question	Reference to WPs	Yes	No	Comments
8	Were all material matters identified in the management letter addressed in the draft audit report?	RA 3. Audit Report			
9	Did the audit report contain the following information:	RA 3. Audit Report			
	a) objective or scope of the audit;				
	b) expression of opinion on the financial statements; and				
	c) identification of the financial statements and the financial year to which it refers?				
10	Was the appropriate audit opinion expressed based on the supporting working papers?	RA 3. Audit Report			
11	Is the format and content of the audit report in accordance with the applicable standards?	RA 3. Audit Report			
12	Are reporting findings clear, factual and adequately summarized?	"			
13	The audit team has complied with any additional agreements made in the engagement letter, such as dates for submission of the audit report? This is linked to the professional behaviour principle.	"			

14	Have all the unresolved audit findings been noted for matters to be attended in the next year's audit?	"			
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DOCUMENTATION

According to ISSAI 1230 the auditors shall prepare documentation that provides:

- a) sufficient and appropriate record of the basis for the Auditor's report; and
- b) evidence that the audit was planned and performed in accordance with the ISSAIs and applicable legal and regulatory requirements.

	Question	WPs Reference	Yes	No	Comments
1	Generally, do the audit working papers, the audit procedures carried out, and the results of the audit procedures support and confirm the audit opinion furnished	All working papers			
2	Do the working papers:				
	(a) Include indexing/signatures and dating by preparer and reviewer?				
	(b) Indicate the meanings of audit tick marks?				
	(c) Indicate the source of information?				
	d) Indicate the procedure executed				
	(e) Indicate the purpose of photocopied or scanned in documents?				
	f) Indicate that all schedules, prepared by the audited entity, have been cast & cross cast?				
	PERFORMING THE AUDIT				

COMESA BOARD OF EXTERNAL AUDITORS (COBEA) STANDARD OPERATING PROCEDURE MANUAL(COSPM)

COMESA BOARD OF EXTERNAL AUDITORS (COBEA) STANDARD OPERATING PROCEDURE MANUAL

1.0 Introduction

The COBEA Standard Operating Procedure Manual (COSOPM) establishes the operating procedures to be followed in the conduct of audits. The SOPM aims at standardizing COBEA audits in terms of uniformity and consistency. The COSOPM has been prepared in line with 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 Auditors must comply with the provisions contained in this document which forms an integral part of the COBEA Audit Policy and Financial Audit Manual. Provisions contained in this document apply both to COBEA as auditor as well as to COMESA Secretariat and its Agencies as Auditees. Compliance of each part to the provisions of this document is required for good cooperation, smooth audit process and successful completion of the audit.

2.0 Background

COBEA is the external independent auditor for COMESA. COBEA derives its mandate from the decision of the COMESA Council of Ministers at the Thirty Sixth Meeting held in Antananarivo, Madagascar from 18-19 October 2016, which decided that in accordance with Article 169 of the COMESA Treaty the External Audit of the COMESA Secretariat and Agencies should be conducted by the Office of the Auditors General of Member States as from the financial year 2017. The decision of the Thirty-Sixth Meeting of the Council of Ministers was confirmed by the decision of the Thirty Seventh Meeting of the COMESA Council of Ministers held in Lusaka, Zambia in November 2017.

From 6th to 9th March 2018 Auditors General of COMESA Member States met to operationalize the decision of the Council of Ministers and a roadmap for the audit was set up. The first COBEA Audit was started from 7th August 2018. Management letters and audit reports were signed on 5th October 2018.

COBEA comprises four Supreme Audit Institutions of COMESA Member States rotating as shown in table 1 annexed to this document as decided by the Auditors General of all Member States in their meeting held in Lusaka, Zambia, from 6th to 9th March 2018.

The audit reports are submitted to the Secretary General then to the Sub-committee on Audit and Budgetary Matters, the Committee on Administrative and Budgetary Matters and the Intergovernmental Committee to make recommendations before they are submitted to the Council of Ministers for adoption in accordance with Article 169 of the COMESA Treaty.

3.0 COBEA Vision, Mission and Core Values

COBEA Vision, Mission and Core Values as stated in the COBEA Charter (Article 5).

Article 1

Objectives of COBEA

The objective of COBEA under Article 169 (1) of the Treaty is to audit the accounts of the Secretariat and its Agencies relating to each financial year in accordance with ISSAIs as an External Auditor.

Article 2

Interpretation

In these Rules, unless the context otherwise requires;

“AFROSAI-E Manual”	means African Organisation of English-Speaking Supreme Audit Institutions;
“Agencies”	means the COMESA Organs, Institutions or Specialised Agencies, that receive funding from the COMESA Member States through the COMESA Secretariat Budget;
“COBEA”	means the COMESA Board of External Auditors;
“COMESA”	means the Common Market of Eastern and Southern Africa;
“Council”	means the COMESA Council of Ministers;
“IFAC”	means the international Federation of Accountants;
“ISA”	means International Standards on Auditing;
“ISSAIs”	means the International Standards of Supreme Audit Institutions;
“INTOSAI”	means International Organisation of Supreme Audit Institutions;
“SAI”	means Supreme Audit Institutions;

“Secretariat”	means the Secretariat of the Common Market established by Article 7 of the COMESA Treaty;
“Secretary Article 17 General”	means the Secretary General of the COMESA provided for by of the COMESA Treaty;
“Supervisor”	means the overall COBEA Audit Teams’ Supervisor as provided for in Article 13 of the COBEA Charter;
“Treaty”	means the Treaty establishing the Common Market of Eastern and Southern Africa.

Article 3

Objectives of COBEA Audit

- (1) The objectives of COBEA Audit are:
 - (a) to independently and objectively analyze, appraise, recommend, and provide pertinent comments concerning the operations within the audited entity ensuring audit findings and recommendations add value to the organisation and provide an independent opinion whether the organisational goals and objectives have been achieved in an economic, efficient and effective manner;
 - (b) to express an independent opinion on the financial statements. These financial statements, among others, comprise: statement of financial position reflecting the assets, liabilities and funding of the COMESA Secretariat, its organs and institutions, the statement of Income and Expenditure; the Changes in Accumulated Funds and Cash Flows, the Summary of expenditure shown under the various budget lines and by Division/Section categories of expenditure both for the current fiscal year and previous year figures, the summary of fixed assets, and a summary of significant accounting policies and notes to the financial statements for the year under audit; and
 - (c) to express an independent opinion on the soundness of the internal systems of control, compliance with COMESA Rules and Regulations, compliance with the procedures in respect of Regular Budget and Extra Budgetary Resources; and compliance with the applicable donor’s rules and regulations.
- (2) Specifically, the objectives of COBEA are:
 - (a) evaluating of control systems;
 - (b) ensuring compliance to rules, procedures and regulations;
 - (c) evaluating organisational efficiency and effectiveness;
 - (d) assessing accuracy and reliability of COMESA Secretariat and agencies’ reporting processes;
 - (e) evaluating effectiveness of COMESA Secretariat and agencies’ accountability framework and the extent of adherence to ethical and professional standards.

Article 4

Duties and Responsibilities of COMESA Management

- (1) The duties and responsibilities of COMESA Management are provided for in Article 10 of the COBEA Charter.
- (2) COMESA Management shall arrange suitable office space for COBEA teams as well as interpretation, if needed.

Article 5

Duties and Responsibilities of COBEA

- (1) The duties and responsibilities of COBEA shall be as follows;
 - (a) conduct annual statutory financial and compliance audits of COMESA Secretariat, its organs and institutions and any other types of audits on the request of the Council as stated in the COBEA Charter Article 15 on the scope of the audit;
 - (b) prepare audit guidelines for other types of audits on needs basis as per the requests received from the Council of Ministers;
 - (c) reviewing the Internal Audit activities to ensure it is adding value to COMESA Management;
 - (d) performing Quality Assurance Reviews to ensure that COBEA audit work is being carried out according to International Standards of Supreme Audit Institutions (ISSAIs);
 - (e) liaise with COMESA management including Accounting Officers on matters relating COMESA Management;
 - (f) assess the rate of implementation of internal and external audit recommendations of previous years' audit recommendations to ensure COMESA management is taking serious recommendations aimed at improving and advancing the organisation administrative as well as financial performance;
 - (g) report to the Council of Ministers about cases of mismanagement and cases where Accounting Officers have not implemented recommendations;
 - (h) conduct special audits at the request of the Council of Ministers or the Secretary General; and
 - (i) COBEA shall accomplish its duties and responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within COMESA Secretariat, its organs and institutions.

Article 6

Composition and Structure of COBEA

- (1) In accordance with Article 8 of the COBEA Charter on the composition and structure

of COMESA Board of External Auditors (COBEA) the participation of COMESA Member States SAIs shall be as reflected in table marked Annex 1 to these Standard Operating Procedure Manual as established by the Auditors General at their meeting held in Lusaka, Zambia from 6th to 9th March 2018;

- (2) 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; and
- (3) Tenure of each SAI shall be three years. The rotation of COBEA should be after three years.
- (4) A SAI appointed to continue its tenure for the purpose of continuity shall assume the Chair of COBEA in the third year of its tenure.

Article 7

The Engagement Letter

- (1) Prior to starting the execution stage of the audit there shall be an Engagement Letter signed by the COBEA Chair on behalf of COBEA members and by the Assistant Secretary-General for Administration and Finance in regard to the COMESA Secretariat and by the heads of the relevant COMESA institutions or Agencies.
- (2) The Engagement Letter contain the terms of the audit engagement, the nature, the limitations of the audit and the respective responsibilities of the auditor and the auditees.
- (3) The Engagement Letter shall contain the key deliverables and target dates that should be met by both parties.
- (4) The form of the Engagement Letter to be used by COBEA shall be contained in the AFROSAI-E Manual. Adjustments for adaptation purposes might be done on the letter.

Article 8

COBEA Audit Charter

- (1) The COBEA Audit Charter is a formal document which defines the purpose, authority, and responsibility of COBEA audit activity, consistent with the definition of External Professional Auditing, the Code of Ethics, and the relevant Standards.
- (2) The COBEA Audit Charter establishes the COBEA audit activity's position within the organisation; authorizes access to records, personnel, and physical properties relevant to the performance of assignments; and defines the scope of audit activities.

Article 9

The Audit Preparation and the Audit Budget

- (1) Prior to the start of each audit, communication between the Secretary General and the Chair of COBEA shall be made with the objective of preparing the audit.

- (2) The Secretary General shall ensure all logistics necessary for carrying out the audit are in place before convening a formal planning meeting for the audit.

Article 10

The Audit Planning Meeting

- (1) In accordance with Article 169 of COMESA Treaty and Articles 78, 79, 80 and 81 of the COMESA Financial Rules and Regulations that provide the terms of reference governing the external audit of the COMESA, after the COMESA Secretary General has ensured all logistics necessary for carrying out the audit are in place, s/he convenes a formal planning meeting for the audit that the Secretary General shall convene annually, in April, at the COMESA Headquarters on days agreed upon by COBEA and the Secretariat.
- (2) The meeting shall be attended by the Auditors General or their representatives, the COBEA audit Supervisor and Audit Team Leader.
- (3) The objective of the meeting shall be to establish a risk-based audit plan to determine the priorities of the audit activity, consistent with the organisation's goals.
- (4) COBEA will use its own judgment of risks and experience.
- (5) During that activity, COBEA will allocate audit resources in a manner likely to achieve maximum benefits and internally adopt working papers to be used during the audit.

Article 11

The Entrance Meeting

An entrance meeting shall be held between auditors and each Auditee to discuss the tentative time schedule and general scope of the audit.

Article 12

COBEA Fieldwork, Audit Scope and Operational Activities

- (1) In carrying out activities, COBEA auditors shall:
 - (a) work with proficiency and due professional care;
 - (b) possess the knowledge, skills, and competencies needed as stated in the COBEA charter (Article 14) to perform their individual responsibilities;
 - (c) possess the knowledge, skills and competencies needed to perform its responsibilities; and
 - (d) apply the care and skill expected of prudent and professional auditors. COBEA auditors should be professional auditors authorized to audit in their respective countries. It is the responsibility of COBEA auditors to determine the scope of the audit.

- (2) For purposes of this Article, prudent and professional auditing means:
 - (a) assessment of the scope of audit work needed to achieve the engagement objectives;
 - (b) relative complexity, materiality, or significance of matters to which assurance procedures are applied; and
 - (c) adequacy and effectiveness of risk management, control, and governance processes.
- (3) In the course of their audit examinations, COBEA shall:
 - (a) review and appraise the adequacy, soundness, and application of accounting, financial, management reporting, and other operating controls and make recommendations for improved practices and techniques where appropriate;
 - (b) determine whether policies and procedures are being interpreted properly and carried out as established, and are adequate and effective, and make recommendations for revision where changes in operating conditions have made them cumbersome, redundant, obsolete, or inadequate;
 - (c) assess the reliability, effectiveness, and efficiency of procedures designed to ensure the organisation is compliant with applicable laws and regulations; and
 - (d) determine whether appropriate procedures exist within operations for self-assessment and continuous improvements.

Article 13

Relations with Management of COMESA Secretariat and its Agencies

- (1) A spirit of collaborative teamwork between the auditor and those audited shall be adhered to.
- (2) This attitude shall not alter the fact that audit personnel have full access to all records, personnel, properties, and any other sources of information needed in the performance of an audit.
- (3) When necessary, special arrangements shall be made for the examination of confidential or classified information.
- (4) The private Auditors' Reports required by some Cooperating Partners for the projects funded by them shall be provided to COBEA in the beginning of audit process.
- (5) The Internal Audit Unit of the COMESA Secretariat shall be the interim secretariat of COBEA.
- (6) The COMESA Secretariat and its Agencies shall appoint focal point persons to be the primary management official.

- (7) An attitude of cooperation and collaboration shall prevail between COBEA and the primary management officials of the Secretariat and its Agencies.
- (8) Cooperation and collaboration shall be maintained in direct communication between the internal audit and the external auditors to foster coordination of audit work.
- (9) Occasional meetings shall be conducted with COMESA management to determine appropriate or potential sharing of specific information, when necessary .

Article 14

Special Assignments

- (1) Upon request by the COMESA Council of Ministers or the Accounting Officer of the COMESA Secretariat or its Agencies, within the context of the audit framework, COBEA may be requested to perform audit work on special assignments that are in no way connected to the Annual Audit Program.
- (2) The Secretary General or the Accounting Officer shall make such a request through Council.

Article 15

Follow-up of previous year's Audit Recommendations

- (1) The Accounting Officers of the COMESA Secretariat and the Agencies shall be responsible for the timely implementation of improvement action for items reported in the previous year's audit management letter and audit reports.
- (2) The COBEA auditors shall be responsible for assessing the rate of progress of the organisation in implementing recommendations previously reported by auditors, whether they were implemented or not and report on the same.

Article 16

Meetings with Management of the COMESA Secretariat and its Agencies on the Execution Audit Stage

- (1) In the spirit of good communication and cooperation between the auditor and the audited entity, unscheduled meetings may be held any time at the request of any of the two parties.
- (2) There shall be minutes signed by both parties for any meeting held and classified for records purposes.

Article 17

COBEA Working Papers, Audit Quality Review and Records

- (1) COBEA auditors shall use and maintain working papers adopted during the COBEA planning phase.
- (2) Team Leaders shall meet at the Secretariat to present working papers and draft reports by the audit team of each institution to the COBEA supervisor for quality

- review.
- (3) The work reviewed by the supervisor shall be further reviewed by the Deputy Auditors General provided that a Deputy Auditor General shall not review work done by the Team and Team Leaders of his/ her own country.
 - (4) The work reviewed by Deputy Auditors General shall be reviewed by the Auditors General that are members of COBEA, provided that an Auditors General shall not review work done by his/ her Deputy Auditors General.
 - (5) Audit reviewers must not review the result of work done by the team leader from his/ her own country.
 - (6) The quality review process shall be done in compliance with the AFROSAI-E Regularity Manual appropriate working papers.
 - (7) Each Team leader shall ensure that each audit has a permanent file and a temporary file.
 - (8) 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 at COMESA Headquarters at an appropriate office allocated by COMESA management to COBEA.
 - (9) All records of COBEA, including minutes of the sessions of COBEA, confidential records of COBEA , shall be part of the permanent file.
 - (10) Reports and audit working papers of whatever nature relating to the activities of the COBEA are the property of the COBEA and shall be kept at the office allocated to COBEA.
 - (11) COMESA Chief of Internal Audit Unit shall be the sole custodial officer who shall have access to COBEA working papers, reports, electronic forms and other records.

Article 18

COBEA Submission of Draft Management Letters and Audit Reports and Management responses to the COMESA Secretariat and its Agencies

- (1) COBEA shall submit to COMESA management and its Agencies the draft Management Letters and the audit reports according to the timelines agreed upon in the engagement letter signed by both parties.
- (2) COBEA shall submit to COMESA management and its Agencies the draft Management Letters and audit report with the designated form signed by both parties.
- (3) COMESA management and its Agencies shall provide response to COBEA within the agreed upon timeline according to the engagement letter signed by both parties.

- (4) COMESA management and its Agencies shall submit the draft response to the management letter and audit report, to COBEA, with the designated form to be signed by both parties.
- (5) If for any reason, COBEA cannot submit the draft Management Letter and audit reports on the agreed upon timeline in the engagement letter, an addendum to the original engagement letter shall be signed by both parties.
- (6) Teams leaders and Deputy Auditors General shall review the management responses (considering auditors' comments on responses to their findings).
- (7) The final drafts of management letter and Audit Reports shall be handed over to the Auditors General.
- (8) Final review of the drafts of Management Letters and audit reports shall be conducted by the Auditors General prior to appending their signatures and holding the Exit Meeting with the relevant entities.
- (9) If for any reason COMESA management cannot respond to the draft management letters and audit reports on the agreed timeline in the engagement letter, an appropriate agreed upon form shall be signed by both parties. In addition, Article 16(6) of the COBEA Charter shall apply with regard to Exit meetings.

Article 19

Exit Meeting

Every audit shall end with an exit meeting held between the Auditee and COBEA Auditors General, Supervisor and Teams leaders to agree on the Final management letters findings and Audit reports.

Article 20

Signing of Management Letters and the Audit Reports

After the Exit meeting, the Four Auditors General sign all Final Management Letters and Audit Reports to be submitted to the Secretariat for further processes and finally adoption by the Council of Ministers.

Article 21

Dissemination of the Management Letter and the Audit Report

- (1) After signing the Audit Reports and the Management Letters, the COMESA Secretary General shall transmit within five (5) working days to all COMESA Member States the signed management letter and audit reports produced by COBEA.
- (2) The Secretary General shall submit the Audit Reports and Management Letters to the COMESA Council of Ministers for consideration and adoption through all relevant technical committees such as the Sub-committee on Audit and Budgetary Matters, the Committee on Administrative and Budgetary Matters, and the Intergovernmental Committee in accordance with Article 169 of the COMESA Treaty.

Article 22

Audit Costs

The budgets of the COMESA Secretariat and the Agencies shall bear the cost of the external audit , which covers air tickets, DSA and other related logistics.

Article 23

Official languages of the Audit Proceedings and Reports

- (1) Audit proceedings of the COMESA Secretariat and the Agencies shall be conducted in any of the official languages of COMESA.
- (2) Reports of COBEA shall be prepared in one of the official languages of COMESA. They shall be translated in the other official languages of COMESA. The COMESA Secretariat shall bear the cost of translation.

Article 24

Representation of COBEA

All the Auditors General forming COBEA or in their absence, their respective Deputies shall participate at all meetings where the external audit reports are subject for discussion or adoption.

Article 25

Conflict of Documents

In the event that there is a conflict or contradiction between the COBEA Charter and this document, the COBEA Charter shall prevail.

Article 26

Entry into Force

This COBEA Standard Operating Procedure Manual shall come into force after adoption by the COMESA Council of Ministers.

Signed by:

The Chairperson of COBEA

Name and Title:

Date and signature:.....

The COMESA Secretary General

Name and Title:

Date and signature:.....

Adopted by the Council of Ministers

Name and Title:

Date and signature:.....

Annex (1)

Audit Year	2017-2019		2020-2022		2023-2025		2026-2028		2029-2031	
	Years 1 – 3		Year 4 -6		Year 7 – 9		Year 10 – 12		Year 13 - 15	
Language	1-2	3	4 – 5	6	7 – 8	9	10 -11	12	13-14	15
Arabic	Egypt Chair 2		Libya		Somalia Chair 9		Sudan		Tunisia Chair 14	
	Eritrea Chair 3		Kenya Chair 6		Malawi Chair 8		Rwanda Chair 11		Zimbabwe	
English	Ethiopia Eswatini		Eswatini Chair 5		Mauritius		Seychelles Chair 12		Uganda Chair 15	
	Burundi Chair 1		Comoros Chair 4		Djibouti Chair 7		DRC Chair 10		Madagascar Chair 13	

- 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.
- 2- Five SAls in year 3, to allow rotation to commence

**COMESA BOARD OF EXTERNAL AUDITORS
FINANCIAL AUDIT MANUAL OF COBEA FOR AUDITS OF
COMESA AND ITS ORGANS**

Customized from the AFROSAI-E Financial Audit manual, first Edition, November 2017

HOW TO USE THIS MANUAL

Overview of the Financial Audit Process

The information in this financial audit manual is aimed at providing the audit team with a methodology for completing an audit. The audit working papers are standardised and the method of documenting and referencing information is also provided to ensure consistency.

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- (a) Chapter 1. Prerequisites – Guidance covers ethics, quality control, annual overall audit plan, financial reporting framework and communication and documentation.
- (b) Chapter 2. Pre-engagement Activities – Includes an assessment of the objectivity, integrity and technical capacity of audit staff and advises on establishing the budgeted time for the audit. How to gain a common understanding and expectations through issuing an engagement letter.
- (c) Chapter 3. Understanding the Business – During this phase auditor's gain understanding of the COMESA's environment within which the client operates.
- (d) Chapter 4. Materiality – Set overall and performance materiality levels for the audit.
- (e) Chapter 5. Risk Assessment and Response – Assess and respond to risks at a financial statement level. Gain understanding of the detailed processes for each audit component to assess risks at a component level. Identify and design appropriate audit responses to address the risks identified. Conclude on the overall audit strategy.
- (f) Chapter 6. Performing the Audit and Evaluating Evidence – Document the performance of the programmes by completing the templates provided. Once audit programmes have been performed the auditor shall evaluate audit results and look at some overall aspects before finalising the audit.
- (g) Chapter 7. Audit Reporting – Compile the auditor's report and final management letter which arise from the audit process.

At the end of each stage references to the related working papers can be found. Explanatory notes and illustrations included in these working papers are indicated clearly. These notes shall be removed from completed working papers as they are merely intended as guidance for the user.

Financial Audit Versus Compliance Audit

When deciding on the most appropriate audit approach for the audit, the auditor shall consider how the mandate of the COBEA is formulated. COBEA's mandate is derived from the decision of the COMESA Council of Ministers in its Thirty Sixth Meeting held in Antananarivo, Madagascar in October 2016 Para.101 and confirmed by the COMESA Council of Ministers decision in its Thirty Seventh Meeting held in Lusaka, Zambia in November 2017 Para.302, whereby the audit of the COMESA Secretariat and its Agencies must be conducted by the office of the Auditors General of Member States annually as from the financial year 2017.

A Financial Audit Methodology is appropriate to follow when:

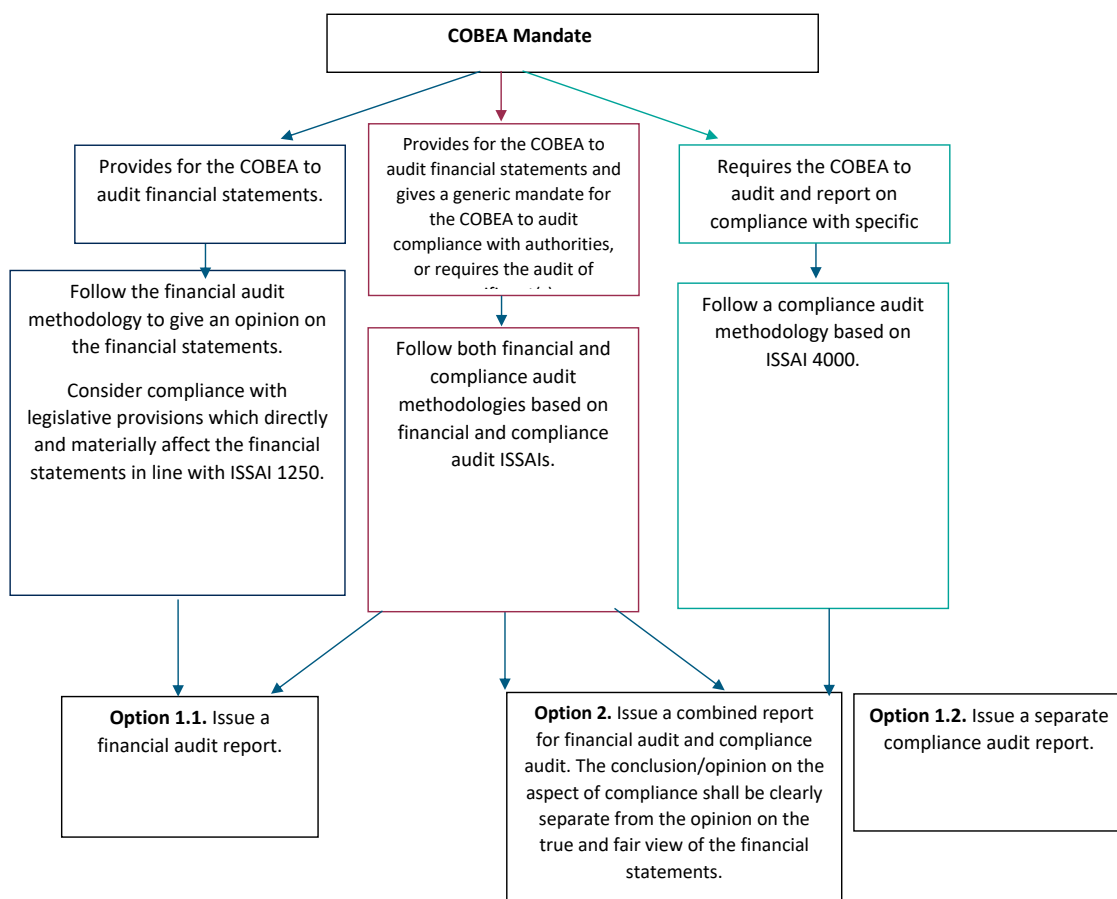
- (a) The COBEA is mandated to audit and report on the annual accounts or financial statements of COMESA and its organs.

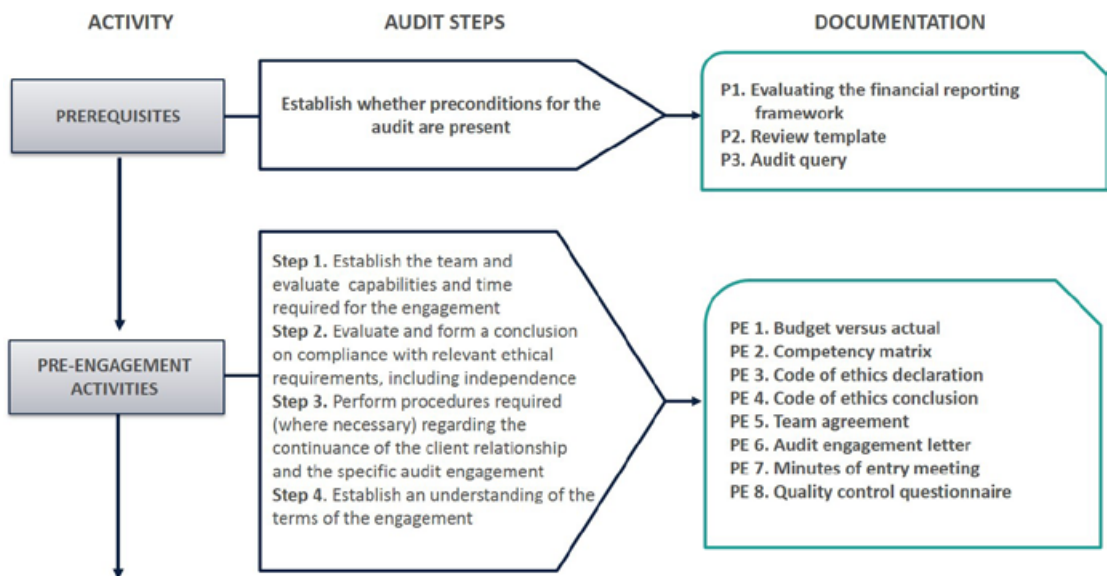
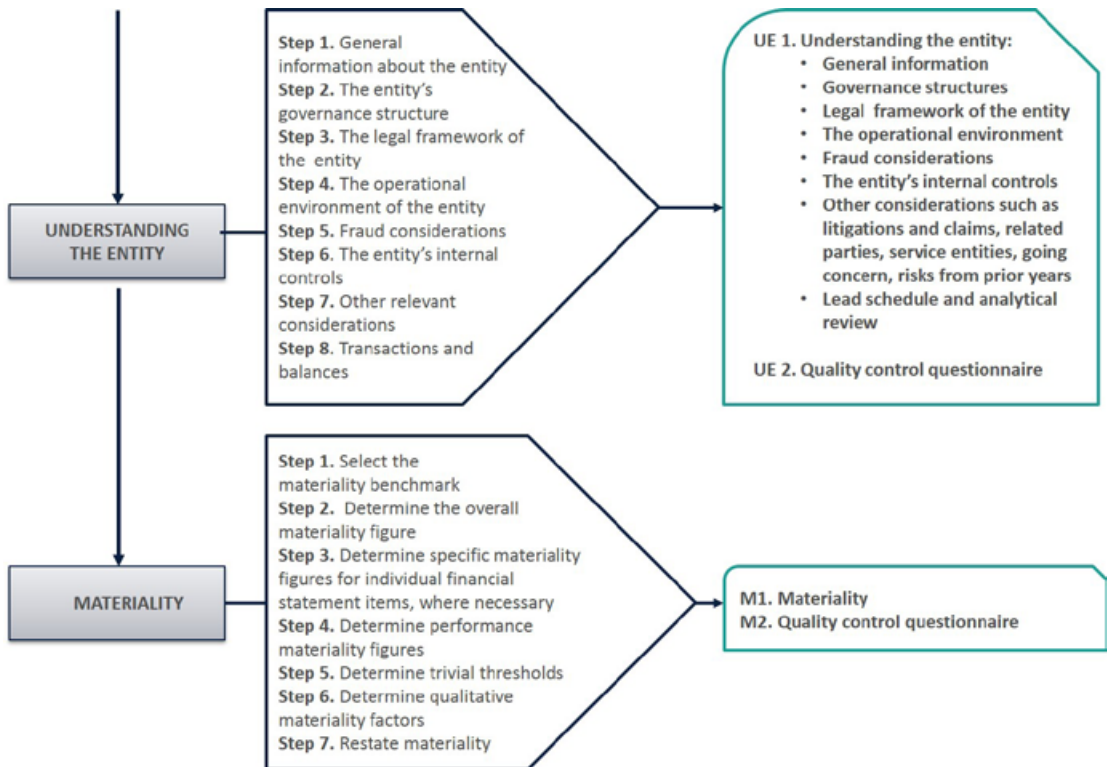
A Compliance Audit Methodology is appropriate to follow when the mandate of the COBEA:

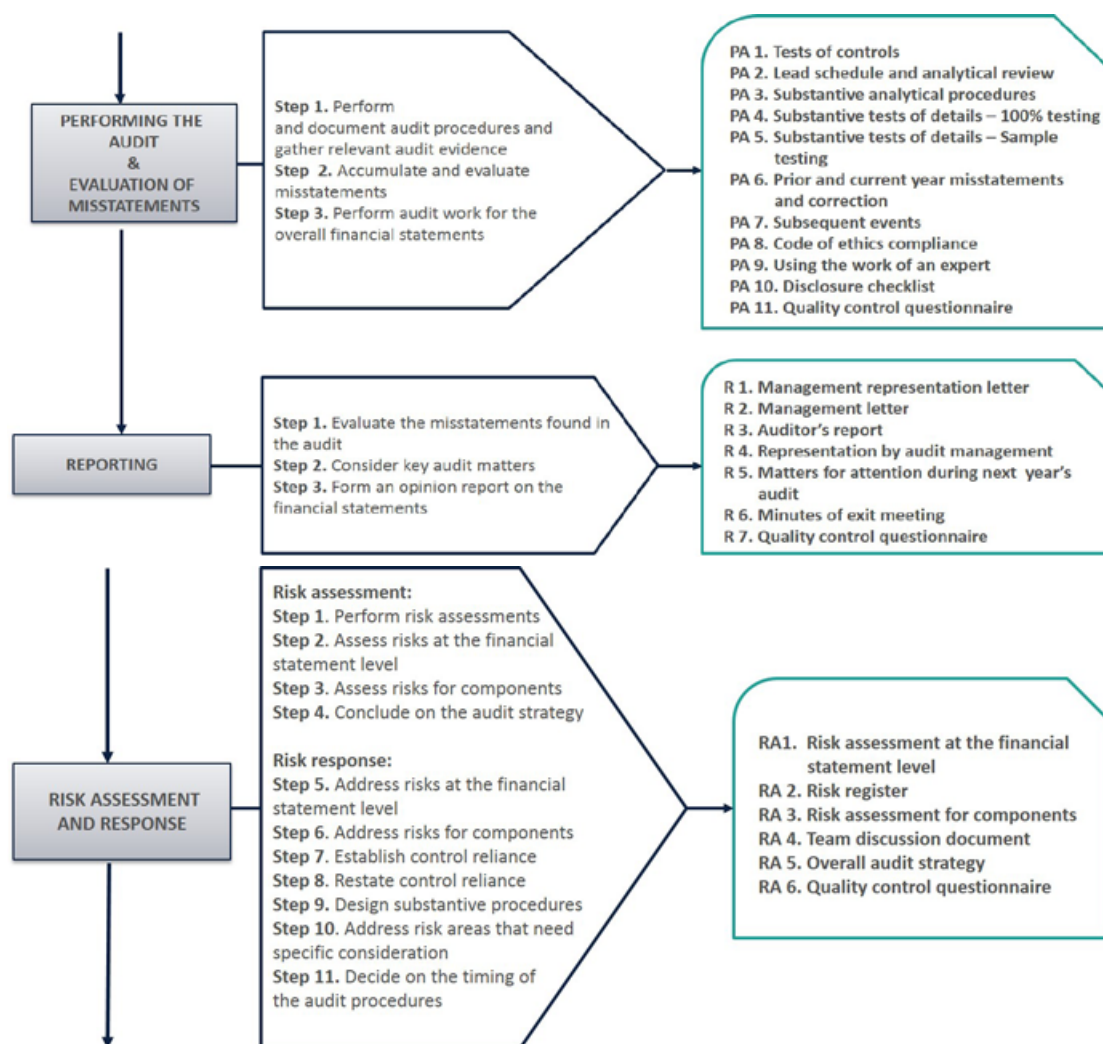
- (b) Includes a general requirement to audit compliance with authorities, or
- (c) Includes a requirement to audit compliance with specific legislation, for example the COMESA Treaty.

Financial and compliance audit may be reported in separate audit reports (option 1) or it may be reported in a combined report (option 2). The diagram below depicts the options that auditors have.

Which Audit Methodology to Use?







Audit Process Flow Table

The table below will provide the audit team with the complete understanding of an audit from planning right through to reporting. Most working papers must be completed to enable compliance with the ISSAI s but some of them are only suggestions, to promulgate good practice. The audit process flow table below indicates this.

WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
P1	Evaluating the financial reporting framework	The checklist enables the auditor to evaluate whether the financial reporting framework of the C is acceptable.		Audit Director	Director General

P2	Review worksheet	To document coaching / review notes issued by the reviewer and the responses to these notes.	Mandatory	Senior Auditor (supervisor)	Audit Director
P3	Audit query	To provide a basis for the communication of findings to the client.	To be completed when findings are raised and communicated.	Team Leader/ Senior Auditor (supervisor)	Audit Director

UNDERSTANDING THE ENTITY

WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
UE 1.	Understanding the entity	Document the understanding of the entity and its environment; identify risks of material misstatement.	Mandatory to complete for each audit.	Team leader / Senior Auditor (supervisor)	Audit Director

MATERIALITY

WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
M1.	Materiality	Calculation of overall and performance materiality.	Mandatory to complete for each audit.	Team leader / Senior Auditor (supervisor)	Audit Director

RISK ASSESSMENT

WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
RA 1	Risk assessment at a financial statement level	Document risks at a financial statement level, if any, and identify appropriate responses to address these risks.	Mandatory, to be completed for each audited component or group of components with largely similar processes.	Team leader / Senior Auditor (supervisor)	Audit Director

RISK ASSESSMENT					
WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
RA 2	Risk register	Document the processes, risks and controls for audit components and assertions. Document the selected audit approach for the component.	Mandatory, to be completed for each audited component with system descriptions.	Team leader / Senior Auditor (supervisor)	Audit Director
RA 3	Risk assessment for components	Assess the risk of material misstatement for each component. Decide whether control reliance or a substantive approach is most appropriate. Formulate audit programmes.	Mandatory, to be completed for each audited component.	Team leader / Senior Auditor (supervisor)	Audit Director
RA 4	Team discussion document	Document the discussion by the audit team on the overall objectives of the audit and the susceptibility of the entity's financial statements to material misstatements.	Mandatory, to be completed for each procedure / grouping of procedures.	Team leader / Senior Auditor (supervisor)	Audit Director
RA 5	Overall audit strategy	Document the audit strategy based on the main risks identified for the audit, including those at a financial statement level and the responses identified for those risks.	Administrative working paper, to be completed for each audit.	Team leader / Senior Auditor (supervisor)	Audit Director

PERFORMING THE AUDIT					
WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
PA 1	Tests of controls	Document the performance of tests of controls.	Mandatory, to be completed for each audited component on which tests of controls are performed.	Auditor / Team Leader	Senior Auditor (supervisor) / Audit Director

PA 2	Lead schedule and analytical review	<p>To break down the audited component and identify any further focus areas relating to the component.</p> <p>Perform an analytical review of the final figures in the financial statements. The objective is to establish if there are any irregular differences that need more audit work.</p>	Mandatory to complete.	Team leader / Senior Auditor (supervisor)	Audit Director
PA 3	Substantive procedures – analytical tests	Document the performance of substantive analytical procedures.	Mandatory to complete for each substantive analytical procedure performed.	Auditor / Team Leader	Senior Auditor (supervisor)
PA 4	Substantive tests of details – 100% testing	Document the performance of substantive procedures when 100% of the population is tested.	Mandatory to complete when applicable.	Auditor / Team Leader	Senior Auditor (supervisor)
PA 5	Substantive tests of details – sample testing	Document the performance of substantive procedures from a sample of transactions.	Mandatory to complete when applicable.	Auditor / Team Leader	Senior Auditor (supervisor)
PA 6	Prior and current year misstatements and correction	<p>Evaluation of the effect of prior year errors on the auditor's report.</p> <p>Documentation of all quantifiable current year misstatements and errors and the evaluation of the effect of these errors on the auditor's report.</p>	Mandatory, to be completed for each audit.	Auditor / Team Leader	Senior Auditor (supervisor)
PA 7	Subsequent events	Identify any subsequent events that shall affect the financial statements.	Mandatory, to be completed for each audit.	Team Leader / Senior Auditor (supervisor)	Audit Director

PA 8	Code of ethics compliance	A follow-up that the team is still independent.	Mandatory, to be completed for each audit to ensure that all team members sign the declaration.	Team leader / Senior Auditor (supervisor)	Audit Director
PA 9	Using the work of an expert	To determine the extent of use of the work of an expert (if any).	Mandatory, to be completed when reliance is placed on an expert's work.	Team leader / Senior Auditor (supervisor)	Audit Director
PA 10	Disclosure checklist	To ensure that the financial statements include all mandatory disclosures.	Mandatory, to be completed for each audit.	Auditor / Team Leader	Senior Auditor (supervisor)

CONCLUDING AND REPORTING

WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
R 1	Management representation letter	To obtain some audit evidence as to whether management has understood their responsibilities for the financial statements and has provided all information to the auditors.	Mandatory, to be completed for each audit.	Team leader / Senior Auditor (supervisor)	Audit Director or Director General
R 2	Management letter	The objective is to report all important findings to the COMESA management.	To be completed for each audit.	Team leader / Senior Auditor (supervisor)	Audit Director or Director General
R 3	Auditor's report	The conclusion on the audit of the financial statements.	Mandatory, to be completed for each audit.	Team leader / Senior Auditor (supervisor)	Audit Director or Director General
R 4	Representation by audit management	A final documentation of the review done of the audit.	Administrative working paper, to be completed for each audit.	Team leader / Senior Auditor (supervisor)	Director General

CONCLUDING AND REPORTING

WORKING PAPERS		PURPOSE / DECISIONS / OUTCOMES	MANDATORY WORKING PAPERS	COMPLETED BY	REVIEWED BY
R 5	Matters for attention during next year's audit	Issues to bring forward to next year's audit. Both things that went well and things that can be improved shall be included.	Administrative working paper, to be completed for each audit.	Team leader / Senior Auditor (supervisor)	Audit Director

CHAPTER 1: PREREQUISITES

INTRODUCTION

This chapter focuses on the prerequisites that ensure that there is an enabling environment in which all audits are performed. Financial audit focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework. It is important that COBEA's staff understand their mandates. In environments where compliance with authorities is the focus, COBEA shall consider applying the compliance audit methodology.

ARTICLE 1

CODE OF ETHICS

- (a) The COMESA Board of External Directors (COBEA) shall have a code of ethics, policies and practices that are aligned with ISSAI 130, *Code of Ethics*. They shall prevent internal conflicts of interest and corruption and ensure the transparency and legality of their operations, as well as actively promoting ethical behaviour throughout the organisation. The ethical requirements and obligations of auditors, magistrates in the Court model, civil servants or others shall be made public. Such policies and procedures shall enable COBEA to monitor its independence and make provision for the following:
 - (i) Persons responsible for the audit shall provide information on the independence of personnel and any threats identified against audit assignments;
 - (ii) Central information on the independence of personnel shall be maintained, updated and monitored. This will enable COBEA to readily determine whether personnel satisfy independence requirements and take appropriate action regarding identified threats to independence that are not at an acceptable level;
 - (iii) Any threats shall be identified, communicated to the person responsible for the audit and eliminated or appropriately reduced by applying safeguards;
 - (iv) Criteria for determining familiarity threat and safeguards to reduce such threat to an acceptable level when using the same senior personnel on an assurance engagement over a long period shall be documented and adhered to; and
 - (v) Rotation of the person responsible for the audit and the individuals responsible for external quality reviews after a specified period in compliance with relevant ethical requirements.
- (b) COBEA shall communicate widely and in good time on its activities and results, which include information about the implementation of the code of ethics. The information requires monitoring. Monitoring of the implementation of a code of ethics is also part of the internal control system of the COBEA.

ARTICLE 2

QUALITY CONTROL

- (a) ISSAI 100 states that SAs shall adopt quality control procedures in accordance with ISSAI 140, *Quality Control for SAs*. ISSAI 200 (42) further states that: – The auditor shall

implement quality control procedures at the engagement level that provide reasonable assurance that the audit complies with professional standards and the applicable legal and regulatory requirements, and that the auditor's report is appropriate in the circumstances.

- (b) Quality control is addressed at two levels, namely at the COBEA level and at the audit engagement level with respect to each individual audit engagement that is undertaken.
- (c) Quality Control at COBEA Level

ISSAI 140 describes the six elements of the COBEA's system of quality control. The six elements which will be explained briefly below are:

- (i) Leadership responsibility for the system of quality control;
- (ii) Ethical requirements;
- (iii) Client and engagement acceptance and continuance;
- (iv) Human resources;
- (v) Engagement performance; and
- (vi) Monitoring.

i. Leadership Responsibility for the System of Quality Control

Leadership responsibility for quality control requires the Auditors General of COBEA to take full responsibility for the quality of the work. Therefore, the Auditors General of COBEA shall develop and implement policies and procedures to ensure that quality is maintained. To implement the ISSAIs, the Auditors General of COBEA shall translate the requirements of the ISSAIs (ISSAI 140) into policies and procedures to guide the entire operations of the COBEA, including the system of holding persons accountable for their quality of work such as a performance appraisal system. Requisite resources such as people, infrastructure and funds shall support the system and procedures initiated for quality control.

ii. Ethical Requirements

COBEA is expected to establish policies and procedures designed to provide them with assurance that the audit personnel comply with relevant ethical requirements. This could be in the form of a code of conduct, and rotation policy to reduce familiarity threats. At the pre-engagement level, there shall be a system of declaring the conflict of interest. Where threats to objectivity and independence are reported, COBEA shall put measures in place such as removing the auditor from the assignment, or instructing the auditor to discontinue a transaction or relationship with the entity to mitigate these threats.

iii. Client and Engagement Acceptance and Continuance

This involves adopting policies and procedures for the acceptance and continuance of entity relationships and specific engagements. The Chair of the COBEA shall also ensure that it has the right amount of resources such as time and technical competence of staff to perform the audit engagement. If the COBEA does not have the available resources, it could consider outsourcing the audit and contracting the technical personnel to perform the engagement.

iv. Human Resources

In the event that COBEA establishes its own Secretariat, the employees of COBEA shall be hired according to the provisions regulating COBEA and within the narrow limits. The audit teams, shall be comprised of employees of SAIs from COMESA Member States and must be qualified to join the audit teams in COBEA

v. Engagement Performance

- (a) This requires COBEA to develop and implement policies and procedures, which outline the process of audit engagement to ensure compliance with professional standards and applicable legal and regulatory requirements. The policies and procedures could be in the form of an audit manual, which outlines the audit methodologies to be used in an audit and in documenting the work performed.
- (b) Critical to a quality control system at the engagement level is the need to carry out an Engagement Quality Control Review (EQCR). The review shall be carried out by someone independent of the audit team, who shall ensure such review is done before the audit report is issued. This review shall also include an objective evaluation of the significant judgements made by the audit team, and the conclusions reached in formulating the auditor's opinion and report.

vi. Monitoring

This requires COBEA to establish a process to monitor its system of quality control to provide assurance that the policies and procedures in relation to quality control are relevant, adequate and operating effectively. This process can be achieved through Quality Assurance Review (QAR) of the quality control processes and procedures of the COBEA. In the event COBEA Members do not have the resources, they may engage auditors independent of the audit process to carry out the QAR, or may request another SAI from COMESA Member States to do so.

ARTICLE 3 QUALITY CONTROL AT THE AUDIT LEVEL

Quality control procedures shall be performed by the engagement team members for every audit as per the COBEA policy. Quality control procedures are performed by team members on different levels, including the person with delegated responsibility for the audit. They are designed to ensure that each team member shares in the responsibility for the overall quality of the audit assignment.

Team members are also responsible for providing COBEA management with relevant information to enable the functioning of that part of the COBEA's system of quality control relating to independence.

ARTICE 4 ROLE OF THE PERSON RESPONSIBLE FOR THE AUDIT

The person with delegated responsibility for the audit shall take overall responsibility for the quality on the audit assignment. This person shall monitor the audit throughout for evidence

of non-compliance by the audit team with ethical requirements. If any non-compliance comes to light, appropriate action shall be taken.

In the public sector the Auditor-General is usually the statutory auditor responsible for all audits. However, practicalities dictate that other (high-level) suitably qualified audit staff with the appropriate competence and capabilities may be delegated or appointed to take over the responsibility for an assignment. Such delegation shall preferably be in writing and communicated for each engagement to all relevant personnel.

The person responsible for the audit shall, throughout the audit:

- (a) Remain alert, take note of and document any non-compliance with relevant ethical requirements and ensure that appropriate actions are taken;
- (b) Take responsibility for the direction, supervision and performance of the audit engagement;
- (c) Take responsibility for the performance of quality reviews throughout the audit:
 - (i) Review the audit documentation and hold discussions with the audit team to confirm the sufficiency and adequacy of audit evidence;
 - (ii) Take responsibility for ensuring that appropriate consultation is taking place on difficult or contentious matters, including the fact that appropriate conclusions are reached and implemented. Such consultation shall be documented;
 - (iii) Take responsibility for issuing a report that is appropriate in the circumstances; and
 - (iv) Consider the results of the COBEA's quality control monitoring processes as per the latest information circulated and the effect this may have on the audit.

ARTICLE 5

THE AUDIT REVIEW PROCESS

- (a) The COBEA's policies and procedures clearly outline the three audit review levels and the role of each level of review. The review process shall be divided into the following levels:
 - (i) First level – lowest level of review (Senior Auditor/ Supervisor/ Team Leader);
 - (ii) Second level – (Deputy Auditor General);
 - (iii) Third level – (Auditor General). This level of review may include the person who has been delegated by the Auditors General of COBEA member SAs as the "owner" of the audit. Here the review is on major issues only.
- (b) All three levels of review shall consider the following fundamental issues when reviewing an audit file:
 - (i) All mandatory working papers and procedural steps have been adequately completed, signed by preparer and reviewer, dated and cross-referenced. When a working paper of procedural steps is omitted, adequate reasons are supplied;
 - (ii) The audited financial statements (and other relevant audited information) have been identified and clearly linked to the audit through the lead schedule;

- (iii) Knowledge of business obtained is adequate to inform the auditors' decision relating to the audit approach;
 - (iv) Conclusions were adequately drawn and supported by appropriate and sufficient audit evidence;
 - (v) Significant deviations from the overall audit plan and any changes in the scope of the audit have been documented;
 - (vi) All significant professional judgements made have been documented and are supported by appropriate audit evidence;
 - (vii) The audit was conducted in accordance with the relevant audit approach, guidelines and other directives;
 - (viii) All significant audit matters have been resolved or have been appropriately reported to management in the management letter as well as in the auditor's report;
 - (ix) The work performed and results obtained have been adequately documented;
 - (x) Based on the underlying audit work and findings the correct audit opinion has been expressed; and
 - (xi) Reported findings are supported by adequate and sufficient audit evidence.
- (c) The working papers shall be reviewed as far as possible immediately after the work has been completed. Timely review provides better control over the quality of work and the time consumed in its performance. Normally the reviewer shall be on a higher level than the preparer.
- i. First Level Team Leader/Supervisor/Senior Auditor

Depending on the size of the audit the Senior Auditor or supervisor or Team Leader will conduct the first level of review. In the case of larger audits there may be more than one first-level reviewer. In such cases the reviewers shall focus on the sections that have been allocated to them. First-level review shall be performed on an ongoing basis, for example, each time a working paper has been finalised by the preparer it shall be reviewed. All working papers, conclusions drawn, professional judgements made and the related audit evidence on the audit file shall be reviewed. This includes the review of the following:

- (a) Adequate and sufficient completion of working papers including clear and understandable language and spelling;
- (b) Consistency of documented information and decisions made between different working papers;
- (c) Significant decisions made and audit evidence supporting decisions and findings;

- (d) The planning of the audit, balancing audit risk, tests of controls and substantive tests performed, evaluating the sample sizes, conclusions, management letter issues, audit findings (exceptions), auditor's report issues, etc.; and
- (e) Inspecting the audit procedures performed and ensuring that all the assertions were addressed.

ii. Second Level (Deputy Auditor General)

The second level of review is almost as detailed as the first, but some reliance can be placed on the review work already performed. The experience and seniority of the first reviewer shall influence the reliance placed on the first review conducted.

The second reviewer shall still concentrate on detailed work, but to a lesser extent. Focus shall be placed on documentation of key working papers, including as a minimum:

- (a) Pre-engagement working papers, including the engagement letter;
- (b) Links between the audited financial statements and the lead schedule;
- (c) Overall audit plan, including significant risk areas and audit approach;
- (d) Appropriateness of the nature and extent of audit work performed;
- (e) Audit differences;
- (f) Management letter, confirming that there is adequate audit evidence supporting the findings; and
- (g) Auditor's report with supporting audit evidence for the findings.

The second reviewer shall also review the work performed by the first reviewer.

iii. Third Level (Auditors General)

The third-level review shall be performed by the person who has delegated responsibility for the auditor's report. In certain instances, the review will be performed by more than one person within the COBEA.

The persons performing a third-level review are the Auditors General shall be, as far as possible, involved in major decisions relating to the audit. The overall audit strategy shall be approved by the third-level reviewer before any of the fieldwork is conducted. If this is not possible, the third-level reviewer shall at least be consulted to obtain his or her inputs regarding the audit plan and scope. This is to ensure that the correct audit approach is followed and that the person who is responsible for signing the report is aware of the aspects covered in the audit plan.

The third-level reviewer's review shall focus on the following aspects:

- (a) Work performed by the second-level reviewer;

- (b) Appropriate and sufficient audit evidence exists to support the audit findings;
- (c) Issues correctly raised in the management letter and auditor's report;
- (d) Compare the work performed with the overall audit strategy to ensure that all risk areas have been addressed and deviations from the strategy have been documented with reasons;
- (e) Aspects relating to finalising the audit including working papers under Audit summary and Reporting; and
- (f) The audited financial statements, disclosure notes and the trial balance, aiming to ensure that the audit sufficiently covered all significant balances and risk areas.

The scope of the third-level reviewer shall be increased if he or she identifies other possible risk areas or if there is any indication that the audit file does not meet the required technical standards.

ARTICLE 6

DOCUMENTING REVIEWS

Working papers must be signed off and dated by the person who has "prepared" and the one who has "reviewed" the audit work. Reviews of audit work are performed on three levels, with the result that some working papers are reviewed more than once. When a review is complete, the reviewer shall initial the working paper template and provide comments on the review sheet.

ARTICLE 7

ENGAGEMENT QUALITY CONTROL REVIEWS

- (a) In addition to the quality control procedures described above, COBEA shall be required to perform engagement quality control reviews of selected audits. This engagement quality control review is an independent review performed on a sample of audits that meet the established criteria. The COBEA shall determine in their annual overall audit plan which audits will be subjected to an engagement quality control review. Usually, deciding on such reviews takes into consideration aspects such as which audits carry high risk, large expenditure amongst other things.
- (b) These reviews shall form part of the COBEA's policies and procedures and are covered in more detail in the COBEA's Quality Control Manual.
- (c) COBEA shall be required to establish monitoring processes designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. These procedures shall entail periodic quality assurance reviews which are performed on finalised audits. Engagement quality control reviews are different from the quality assurance reviews, as they are conducted before the auditor's report is finalised. The auditors tasked with engagement quality control reviews shall not be the same as those conducting

quality assurance reviews.

- (d) The engagement quality control reviewer shall be a suitably qualified person (the Senior Auditor (supervisor), audit director and director general) who is not part of the engagement team. Normally, the reviewer(s) is assigned from within the COBEA. It is important that such engagement quality control reviewer shall have sufficient and appropriate experience and authority to evaluate the audit of the engagement team objectively.
- (e) The performance of an engagement quality control review does not reduce the responsibilities of the overall supervisor for the audit engagement and its performance.
- (f) The reviewer shall evaluate the significant judgements made by the engagement team, and the conclusions reached in formulating the auditor's report. This evaluation includes:
 - (i) Discussion of significant matters;
 - (ii) Review of the financial statements and the proposed auditor's report;
 - (iii) Review of selected audit documentation relating to the significant judgements the engagement team made and the conclusions it reached; and
 - (iv) Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed auditor's report is appropriate.
- (g) The extent of the engagement quality control review may depend, among other things, on the complexity of the audit, the level of public interest and the risk that the auditor's report might not be appropriate in the circumstances.

ARTICLE 8

EVALUATING THE FINANCIAL REPORTING FRAMEWORK

- (a) The financial reporting framework is adopted by the "Council for use by management in line with the Treaty provisions, and, where appropriate, those charged with governance in the preparation of the financial statements. The financial reporting framework adopted shall be acceptable in view of the nature of the entity and the objective of the financial statements and in most cases, it is required by law or regulation.
- (b) An acceptable financial reporting framework is a pre-condition for the audit. Auditors of public sector entities shall identify and evaluate the relevant financial reporting framework COMESA used to prepare financial statements. The evaluation shall conclude whether the financial reporting framework is acceptable for preparing the financial statements and include considerations of:
 - i. The purpose of the financial statements, for example whether they are prepared to meet the common financial information needs of a wide range of users (general purpose financial statements) or the financial information needs of

specific users (special purpose financial statements);

- ii. The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement); and
 - iii. Whether law or regulation prescribes the applicable financial reporting framework.
- (c) The form of audit opinion expressed by the auditor shall also depend upon the reporting framework.

ARTICLE 9

PRE-CONDITIONS FOR THE AUDIT

- (a) A financial audit conducted in accordance with ISSAIs is premised on the following conditions:
 - i. The financial reporting framework used for the preparation of the financial statements is deemed to be acceptable by the auditor. The auditor shall evaluate the financial reporting framework and conclude whether it is acceptable or not. The evaluation process is described below in detail.
 - ii. Management of the entity acknowledges and understands its responsibility:
 - (a) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation;
 - (b) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
 - (c) To provide the auditor with unrestricted access to:
 - (d) All information of which management and, where appropriate, those charged with governance are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - (e) Additional information that the auditor may request from management and, where appropriate, those charged with governance for the purpose of the audit; and
 - (f) Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.
- (b) All the above aspects are confirmed and signed by the management in the engagement letter. When the pre-conditions are not present, the auditor shall discuss this fact with management. Since in the COMESA there may not be an option not to undertake the audit, the impact of this limitation on the audit engagement shall be considered.

ARTICLE 10

EVALUATING THE FINANCIAL REPORTING FRAMEWORK OF COMESA

The financial reporting framework of COMESA shall be evaluated and there shall be a conclusion on whether it is acceptable. The acceptability of a financial reporting framework is decided based on the nature of the entity and the objective of its financial statements.

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ARTICLE 11

EVALUATING THE FINANCIAL REPORTING FRAMEWORK

(a) COBEA - Level Evaluation of the Financial Reporting Framework

- i. As the same financial reporting framework is normally applicable for a group of COMESA entities, it shall be most cost-effective for the COBEA to evaluate the acceptability of the financial reporting framework centrally at the beginning of the annual audit cycle. This approach shall also assist in avoiding duplication of work and possible conflicting conclusions by different auditors. For example, the central evaluation may be done for all COMESA organs preparing financial statements by using the Financial Reporting Framework set by the secretariat. In addition, there may also be some additional requirements issued by the decision of the Council of Ministers. In this case the evaluation shall also include confirming that the additional requirements are consistent with the requirements of the financial reporting framework prescribed by the treaty or the secretariat. While some or all aspects may be considered centrally, it remains the responsibility of the auditor to ensure that the acceptability of the financial reporting framework is adequately considered, concluded upon, and appropriate actions are taken when necessary.
- ii. The results of this central evaluation shall be documented in the Annual overall audit plan document of the COBEA.

(b) Criteria for Evaluation

To evaluate the financial reporting framework the following aspects shall be considered:

- i. What is the applicable financial reporting framework for the group of entities (e.g. COMESA Court of Justice)?
- ii. Is the relevant financial reporting framework acceptable?
- iii. Is the financial reporting framework a special-purpose or general-purpose framework?
- iv. Is the financial reporting framework a fair presentation framework or a compliance framework?

(c) Considering Consolidated (COMESA-Wide) Accounts

- i. Auditors shall apply the provisions of ISSAI 1600, Special Considerations – Audits of Group Financial Statements.
- ii. The financial reporting framework set by COMESA for the consolidated financial statements needs to be separately identified and evaluated by the auditors.

(d) Identifying and Evaluating the Financial Reporting Framework for Component Audits

If there is a requirement to perform an audit and express an opinion on the COMESA entities that are also components of a group account, the auditors shall identify and evaluate the financial reporting framework for these entities.

(e) Considerations when the Financial Reporting Framework is Deemed Unacceptable

- i. Deficiencies in the applicable financial reporting framework indicate that the framework is not acceptable. If the financial reporting framework prescribed by law or regulation is found to be unacceptable, the auditor shall:
 - (a) Request management to provide additional disclosures to avoid the financial statements being misleading; and
 - (b) Draw attention to the disclosures in an emphasis of matter paragraph in the auditor's report.
- ii. Unless it is required by law or regulation, auditors shall not use the phrases "present fairly, in all material respects", or "give a true and fair view" in accordance with the applicable financial reporting framework in the auditor's opinion.
- iii. Where the law or regulation prescribes the financial reporting framework to be used for general purpose financial statements, such a financial reporting framework may be presumed to be acceptable in the absence of indications to the contrary. However, when it is determined that the framework prescribed by law and regulation is not acceptable, then also consider:
 - (a) Informing the Council and
 - (b) Influencing standard setting by professional or regulatory organisations.
- iv. When an unacceptable financial reporting framework is not prescribed by law or regulation, the auditor shall discuss this with management. In this case management may provide some additional disclosures or may even decide to adopt another framework that is acceptable. When management does so, the engagement letter shall reflect the financial reporting framework that is acceptable.
- v. When the deficiencies in the applicable financial reporting framework are identified after the audit engagement letter has been concluded, this may mean that such audit engagement is no longer applicable. When use of that framework is prescribed by law or regulation, the auditor shall revert to the requirements of the previous paragraph. When use of that framework is not prescribed by law or regulation, management may decide to adopt another framework that is acceptable. When management does so,

new terms of the audit engagement are agreed to reflect the change in the framework, as the previously agreed terms will no longer be accurate.

ARTICLE 12

THE ANNUAL OVERALL AUDIT PLAN OF THE COBEA

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- (a) The Audit Methodology and Standards domain of the ICBF requires COBEA to have an overall audit plan in place.
- (b) Levels of Plans in the COBEA

Planning is done at various levels of the COBEA and is a critical function in ensuring the fulfilment of goals and objectives. Plans include a strategic plan, annual operational plan, annual overall audit plan, other functional plans, business unit plans or work programmes and plans for the individual audits.

- (c) Objectives of the Annual Overall Audit Plan

The COBEA may have wide mandates which include the secretariat, other enterprises, donor-funded projects and other special assignments. The requirements of ISSAI 12 (principle 5) include the following:

- i. The COBEA shall be responsive to changing environments and emerging risks;
 - ii. The COBEA shall be aware of the expectations of stakeholders and respond to these, as appropriate, in a timely manner and without compromising their independence;
 - iii. The COBEA shall, in developing their work programme, respond as appropriate to the key issues affecting member states;
 - iv. The COBEA shall evaluate changing and emerging risks in the audit environment and respond to these in a timely manner, for example by promoting mechanisms to address financial impropriety, fraud and corruption; and
 - v. The COBEA shall ensure that stakeholders' expectations and emerging risks are factored into strategic, business and audit plans, as appropriate.
- (d) The strategic and operational plans shall take the above issues into account. Please refer to the AFROSAI-E guidance on the annual overall audit plan for more details. The annual overall audit-planning process shall enable the COBEA to do the following:
 - i. Compile the list of audits (stand-alone compliance audits shall be identified separately) to be performed during the year (audit coverage);
 - ii. Assign audits to the different business units, considering available resources and the need to rotate audits;
 - iii. Identify audits to be performed in-house or contracted out;

- iv. List “small audits” which can apply the audit methodology for small entities, where applicable;
- v. Identify larger- and high-risk audits which need engagement quality control reviews;
- vi. Distribute COBEA budgets to the audit business units;
- vii. Time audits and the audit calendar for the year;
- viii. Develop strategies to clear audit backlogs; and
- ix. Plan for audits of themes or focus areas including environmental, procurement, forensic or investigative and special audits, including those based on parliamentary requests.

(e) Implementation of the Plan

The biggest test of any plan is how it is implemented. What needs to be done is usually well defined in these plans but there is often a need for further guidance on how to make the provisions operational. Plans at business unit level or work-plans shall include more detail on how each activity is going to be carried out.

(f) Materiality

- i. ISSAI 200 (58). The auditor shall apply the concept of materiality in an appropriate manner when planning and performing the audit.
- ii. The COBEA shall develop guidance to auditors on how to apply the different types of materiality and the recommended percentages.
- iii. The following specific guidance shall be provided:
 - (a) Appropriate benchmarks shall be used for different organs of COMESA;
 - (b) Range of percentages shall be used for overall materiality;
 - (c) Examples of items where specific materiality shall be used;
 - (d) Recommended percentages for specific and performance materiality; and
 - (e) Policy and percentages for “Clearly trivial misstatements”.

ARTICLE 13

COMMUNICATION DURING THE AUDIT

- (a) ISSAI 200 (64). The auditor shall identify the appropriate contact person(s) within the audited entity’s governance structure and communicate with them regarding the

planned scope and timing of the audit and any significant findings.

(b) Communication Policy of COBEA

i. The communication policy of the COBEA covers the basic aspects of communication between auditors, the management of the COMESA, those charged with governance and any other third parties relating to the audit. The policy makes provision for the following:

- (a) The purpose, timing, format and content of communication;
- (b) The level of responsibilities within the audit team to communicate and the person receiving the communication at the COMESA or third party;
- (c) Documentation during meetings and verbal discussions with management and those charged with governance of the COMESA. This is usually done by preparing the minutes of the meeting which shall include references to all matters that were discussed and decisions that were made during the meeting;
- (d) Timely dissemination of all documentation forming part of meetings (e.g. management letters or draft auditor's report, etc.); and
- (e) Reasonable time to respond wherever necessary, for example to audit queries and management letters. This may vary depending on the length of communication, where five working days can be used as a benchmark. This can change due to a different arrangement with the client, but it shall be discussed and agreed to by both parties. Strict deadlines or other unusual circumstances can be taken into consideration each time.

ii. Throughout the audit there shall be constant communication between the auditors, the management of COMESA and those charged with governance. Discussions with management often occur to facilitate the conduct and management of the audit engagement. They shall be in the form of formal meetings with any decisions and concerns documented in the minutes of meetings and followed up. According to the provisions of this manual the following minimum information shall be communicated to the COMESA:

- (a) Audit engagement letter;
- (b) Overall audit strategy;
- (c) Management letter(s); and
- (d) Auditor's report.

iii. Besides keeping management informed, information gathering is a very important reason for communicating with the COMESA management. Information might be gathered through interviewing personnel of the COMESA. Even though this may be an effective way of obtaining relevant information and the views of personnel, auditors

shall always document or confirm verbal statements with alternative documentation when used as evidence. Meetings held with personnel shall be documented by the minutes of these meetings. Minutes shall contain any agreements reached or requirements raised by both parties.

- iv. For material issues, confirmation may be included in the formal management representation. Alternatively, other supporting evidence may be obtained to substantiate verbal statements.
- v. Laws or regulations or the mandate of the auditors may limit the information to be communicated to the COMESA Management. Auditors shall be aware of these laws and regulations.

© Communicating with those Charged with Governance

- i. Effective two-way communication between auditors, management and those charged with governance is an essential part of an audit. Communication is aimed at developing a constructive working relationship between auditors and those charged with governance while maintaining the auditor's independence and objectivity. Communication includes:
 - a) Understanding matters related to the audit in context and the responsibilities of auditors;
 - b) Obtaining information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; and
 - c) Providing timely observations to and assisting in fulfilling the responsibility of those charged with governance in overseeing the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.
- ii. Who are those Charged with Governance?
 - (a) Firstly, the auditor needs to identify the appropriate person(s) within the entity's governance structure with whom to communicate. In COMESA, governance responsibilities may exist at several organisational levels as well as in several functions (i.e. vertically or horizontally). Thus, there may be instances where there are several distinct groups that are identified as those charged with governance.
 - (b) In situations where matters are communicated to subgroups of those charged with governance (such as an audit committee or an individual) auditors may need to convey the information, in full or in summary, to the whole governing body. Auditors need to be particularly sensitive to meeting the needs and expectations of the legislature or appropriate regulators about matters communicated to other governance levels, particularly where the matters may be of broad member states interest or speculation.

- (c) Audit committee may not exist in COMESA. However, in the absence of this committee auditors communicate with top management of the COMESA, since this is a key element in the auditor's communication with those charged with governance.
- (d) Good governance principles suggest that:
 - i. The auditor will be invited to regularly attend meetings of the audit committee;
 - ii. The chair of the audit committee and, when relevant, the other members of the audit committee, will liaise with the auditor periodically; and
 - iii. The audit committee will meet the auditor without management present at least annually.
- iii. What to Communicate?
 - (a) The auditor shall communicate to those charged with governance matters identified during the normal course of the audit including:
 - i. The form, timing and expected general content of communications;
 - ii. The responsibilities of the auditor in relation to the audit, such as the responsibility for expressing an opinion on the financial statements and the fact that the audit does not relieve management or those charged with governance of their responsibilities; and
 - iii. An overview of the planned scope and timing of the audit.
 - (b) The scope and timing of the audit may be defined in relevant legislation or the audit mandate. Communication regarding the planned scope and timing of the audit may assist the auditor to better understand the entity and its environment. The auditor may find it helpful to communicate the auditor understanding of which components' financial information shall be included in the entity's financial statements and to use the entity's response to verify their understanding. For example, it may be difficult to determine if, and to what extent, joint ventures (including private and public sector entities) are to be included in the consolidated financial statements of COMESA. Communication shall take place through an engagement letter and the overall audit plan.
- iv. Significant Findings
 - (a) Communication includes significant findings noted during the audit and other matters, which are in the auditor professional judgement significant to the oversight of the financial reporting process. Significant findings shall be communicated in writing when oral communication is not deemed sufficient. These may include the auditor views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The auditor may have access to information relevant to those charged with governance from auditing other entities in member states, such as material errors in transactions

with the COMESA or its organs which also affect other entities, or designs of relevant controls which have provided efficiency gains in other entities. Communicating this type of information to those charged with governance may add value to the audit when circumstances permit. However, legislation, regulation, ministerial directives, or ethical requirements may prohibit communicating this type of information.

- (b) If the auditor identify risks of material misstatement which the entity has either not controlled, or for which the relevant control is inadequate, or if in the auditor's judgement there is a material weakness in the entity's risk assessment process, then the auditor includes such internal control weaknesses in the communication of audit matters of governance interest.
- v. Significant difficulties encountered during the audit may include such matters as delays in management providing required information or the unavailability of expected information and restrictions imposed on the auditor by management.
- vi. Compliance with Independence and Code of Ethics Requirements.

The auditor shall communicate compliance with relevant ethical requirements including independence and political neutrality. Public sector auditors' independence and objectivity are critical to their ability (a) to hold managers accountable to legislatures of the treaty and the public, and (b) to help identify threats to the good stewardship of public funds, such as corruption.

vii. How and When to Communicate?

- (a) The purpose and form of the communication and the persons involved shall be determined by the communication policy of the COBEA.
- (b) Communication shall be timely. This is especially important when the audit takes place throughout the year or when an interim audit is performed. Matters relating to the planning and scope of the audit shall be communicated early in the audit.
- (c) The auditor shall evaluate whether the two-way communication between the auditors and those charged with governance has been adequate for the audit. If the two-way communication is not adequate, the auditor shall take appropriate action. In the public sector, appropriate action may include communicating with the legislature or the appropriate regulators, or funding agencies. In COMESA, appropriate action may include communicating with the Bureau of the Council of Ministers, the Council of Ministers or the Heads of States of Member States. Communication must be done in accordance with the provisions of the COMESA Treaty and COBEA Audit Charter.
- (d) In the case of oral communication auditors need to document the date and place of such communication. All written correspondence shall be retained and filed.

ARTICLE 14

DOCUMENTING THE AUDIT

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- (a) As provided in ISSAI 200 (70), the auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, with no prior knowledge of the audit, to understand the nature, timing and extent of the audit procedures performed to comply with the relevant standards and the applicable legal and regulatory requirements, the results of those procedures and the audit evidence obtained, as well as significant matters arising during the audit, the conclusions reached in their regard, and significant professional judgments made in reaching those conclusions. The documentation shall be prepared at the appropriate time.
- (b) Audit Documentation
- i. The Auditor shall prepare, on a timely basis, audit documentation that provides sufficient and appropriate record of the basis for the auditor's report and evidence that the audit was performed in accordance with ISSAIs and applicable legal and regulatory requirements.
 - ii. In addition, the Auditor shall prepare documentation to enable an experienced auditor, having no previous connection with the audit, to understand significant matters arising during the audit, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions. Significant matters in this context may not only be material misstatements in the financial statements, but also matters relating to lack of compliance, violations of contract provisions or grant agreements or any other matters auditors are required to report on.
 - iii. Audit documentation refers to all relevant working papers and audit evidence that has been obtained throughout the audit. Where working papers are not applicable, only the fact that they are not applicable, and the reasons therefore shall be documented.
- (c) Nature of Audit Documentation
- i. Audit documentation includes working papers compiled by auditors containing audit programmes, analyses, issues memoranda, summaries of significant matters, letters of confirmation and representation, checklists, and correspondence concerning significant matters.
 - ii. In addition, audit documentation may include abstracts or copies of the entity's records, for example, significant and specific contracts and agreements.
- (d) Types of Audit Documentation
- i. Audit documentation shall either relate solely to the current year or it may be of a more permanent nature.
 - ii. The audit file for the current year shall include all the working papers and

supporting evidence relating to the current year's audit objectives. There might be working papers and supporting evidence which are applicable for more than one financial year. In such cases, it may be appropriate to retain them in the current audit file, placing a copy in the previous year's current file each time a schedule is carried forward. An example of this could be the system descriptions that may not change from one year to another.

- iii. The permanent file shall contain information of continuing nature about the entity's operations, accounting systems and other features (for example loan / funding agreements) that are important to the conduct of the audit. The contents of the permanent file shall be reviewed at every audit and schedules updated to show the latest position. Schedules considered to be outdated shall be removed from the permanent file and filed in the current file of the year they relate to.

(e) Purpose of Audit Documentation

- i. The purpose of audit documentation shall be to provide a record of how the objectives of an audit assignment were achieved and how the audit was planned and performed in accordance with ISSAIs and applicable legal and regulatory requirements.
- ii. The audit documentation is therefore intended to:
 - (a) Assist auditors to plan and perform the audit;
 - (b) Assist in discharging supervision and review responsibilities;
 - (c) Enable the audit team to be accountable for its work;
 - (d) Retain a record of matters of continuing significance to future audits;
 - (e) Enable the conduct of quality control reviews; and
 - (f) Enable the conduct of external quality assurance reviews in accordance with applicable legal, regulatory or other requirements.

(f) Extent of Audit Documentation

- i. The auditor shall prepare the audit documentation to enable an experienced auditor, having no previous connection with the audit, to understand the following matters:
 - (a) Nature, timing and extent of the audit procedures performed to comply with ISSAIs and applicable legal and regulatory requirements including the identification of specific characteristics of items being tested;
 - (b) Results of the audit procedures and the audit evidence obtained;
 - (c) Significant conclusions reached;
 - (d) Discussions of significant matters with management and others on a timely

basis;

- (e) How information that is contradictory or inconsistent with the auditor's conclusions has been addressed in forming the final conclusion;
- (f) How the audit objectives have been achieved by using alternative audit procedures and, unless otherwise clear, the reasons for the departure from the requirements of the ISSAIs; and
- (g) Any new or additional audit procedures and conclusions after the date of the auditor's report, together with the circumstances encountered, audit evidence obtained, conclusions reached and their effect on the auditor's report.

(g) Contents of Audit Documentation (Working Papers) and Audit Evidence

- i. Regarding the form and content of working papers, they shall be sufficiently complete and detailed to provide an overall understanding of the audit. Working papers shall contain at least the following information:
 - (a) The client's name, year-end, person preparing and reviewing the working paper, and respective dates for preparation and review;
 - (b) Explanations of tick-marks used shall be provided;
 - (c) The work performed, for example a description of the audit procedure or review executed;
 - (d) The source of the sample of information that was used to perform the audit procedure (for example the source may be the ledger);
 - (e) A list of the transactions that were selected to be audited or the extent of the review performed;
 - (f) Sufficient information to enable re-performance of the procedure, e.g. document numbers, dates, names, reference numbers, etc.;
 - (g) The value or amount of the sample selected, and coverage obtained;
 - (h) Results of the procedures performed;
 - (i) Conclusion on the work performed based on, and warranted by, the work performed and supporting audit evidence;
 - (j) Explanations, motivations of basis used when using professional judgement and conclusions reached;
 - (k) Indication that all schedules prepared by the COMESA Secretariat and its Agencies have been cast and cross-cast;
 - (l) Indication of the purpose of photocopied or scanned documents; and

(m) References to other working papers or documents.

(h) Documenting Audit Findings

i. Audit findings, exceptions or queries shall be raised and documented in the required format as soon as discovered. These findings shall be communicated to the COMESA management through the following available means:

(a) Audit query;

(b) Management letter; and

(c) Auditor's report.

ii. Audit queries are a more informal means of communication. These queries are sent via the accounting officer to the relevant division heads where the queries reside. This way management has an opportunity to give timely feedback or comments and additional information. There is no restriction on the number of queries that may be sent, but it is advised to avoid sending endless numbers of individual queries. The team leader shall rather collect the queries and send them simultaneously. All such arrangements shall be communicated and agreed to with COMESA management.

iii. Unresolved material findings which will be considered for reporting shall nonetheless always be included (and in this way repeated) in the management letter. Repeating unresolved findings will alert management to the items that will potentially appear in the auditor's report. This will ensure that auditor's reports do not contain issues that will "surprise" management.

iv. The management letter is normally issued at the end of the engagement, summarising all unresolved findings previously raised in queries and any new issues not yet raised. Management is requested to comment on the findings raised in the management letter.

v. The draft auditor's report shall be presented to COMESA management before it is finalised. Depending on the circumstances it may be done simultaneously with the management letter (e.g. if all findings have already been reported to management).

(i) The Final Audit File

i. The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. The audit file contains audit documentation relating to a specific audit.

ii. The completion of the assembly of the final audit file after the date of the auditor's report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions. Changes may, however, be made to the audit documentation during the final assembly process if they are administrative in nature. Examples of such changes include:

- (a) Deleting or discarding superseded documentation;
 - (b) Sorting, collating and cross-referencing working papers;
 - (c) Signing off on completion checklists relating to the file assembly process; and
 - (d) Documenting audit evidence that was obtained, discussed and agreed with the relevant members of the engagement team before the date of the auditor's report.
- iii. When it is necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document:
- (a) When and by whom they were made, and (where applicable) reviewed; and
 - (b) The specific reasons for making them.
- iv. As a rule, the auditor ordinarily excludes from audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.
- (j) Cross-Referencing
- i. All working papers documentation placed in the supporting files shall have individual reference numbers.
 - ii. The following documentation can be regarded as audit evidence:
 - (a) Original source documents (payment advices, invoices, tender documents and vouchers of the COMESA secretariat or its organs); and
 - (b) Schedules / working papers completed by the auditors such as a summary listing of selected transactions for testing included in the work done by the auditor, stating and explaining the conclusions that were drawn.
 - iii. The final audited financial statements with trial balance where applicable shall be referenced to the lead schedule.
 - iv. It is important that the audit findings are referenced to the original source documents and not only to working papers / schedules compiled by the auditors. The auditor shall be aware of these requirements throughout the audit and file copies of the audited source documents where the problems were found.
 - v. In certain instances, there may be no original source document available to support a finding; for example, this is the case when the lack of an adequate policy or process is reported.
 - vi. As a rule of thumb, the source documents shall be cross-referenced to the summaries

and working papers where the audit work has been documented and concluded.

(k) Contents of the Audit File

- i. For an audit to be completed, a set of pre-defined audit files shall be compiled. These files are compulsory and shall include all the audit phases and applicable working papers. COBEA shall develop model audit files which can be referred to as examples of how an audit file may be compiled.
- ii. When the auditor performs the audit procedures, standard tick-marks shall be included in the working paper or on the source documentation (as applicable) to demonstrate the audit tests performed and the results of these tests. These tick-marks must be applied to each source document audited.

(l) Document Retention and Confidentiality

- i. Audit files shall be retained (with nothing deleted or discarded from them) for the period of retention required by COBEA.
- ii. The Auditor needs to be aware of any legislative requirements regarding confidentiality of information and balance these requirements with the provisions of transparency, which requires professional judgement. Requests may be made by third parties relating to audit documentation, in which instance COBEA shall normally refer the request to the COMESA management and consult with relevant parties before releasing the information. Legislation may grant access to audit correspondence, for example where electronic or other post journals are open to public scrutiny. Documentation that is of confidential nature shall be identified and treated as such. COBEA shall have clear procedures for different types of information, including lines of responsibility for authorising disclosure of audit documentation and routines for making such information available.
- iii. Where the audit work is contracted out by COBEA to other auditors, the other auditors shall follow the same documentation requirements as COBEA itself.

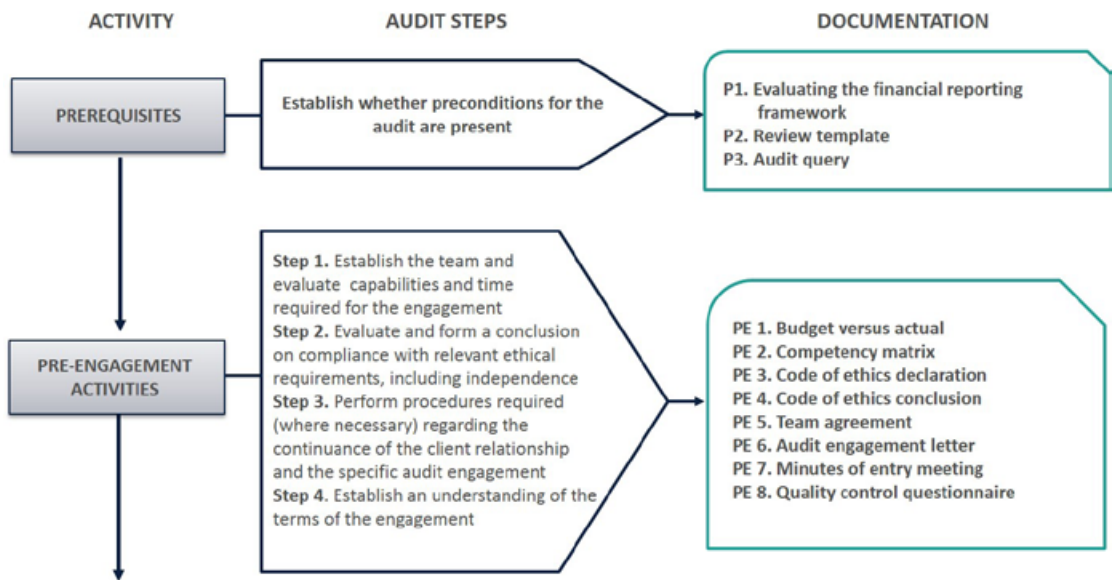
WORKING PAPER(S) TO COMPLETE

W/P Ref	Working paper	Objectives of the working paper	Completed by	Reviewed by
P1	Evaluating the financial reporting framework	The checklist enables the evaluation whether the financial reporting framework of the COMESA is acceptable.	Centrally – by assigned team	COBEA management
P2	Review template	To document coaching / review notes issued by the reviewer and the responses to these notes.	Audit team supervisor	Overall Supervisor / other reviewers
P3	Audit query	To provide a basis for communication of findings with the client.	Audit team supervisor	Overall Supervisor / other reviewers

CHAPTER 2

PRE-ENGAGEMENT

Where are we in the process?



1.1 APPLICABLE STANDARDS

On Level 3 of the ISSAI Framework

ISSAI 200 par. 18-31

ISSAI 200 par. 40

ISSAI 200 par. 46-47

ISSAI 200 par. 46 -47

ISSAI 200 par. 161

On Level 4 of the ISSAI Framework

ISSAI 1200

ISSAI 1210

ISSAI 1220

ISSAI 1300

ARTICLE 15

OBJECTIVES

This is a key phase of the audit which assists the auditor to identify and evaluate events or circumstances that may adversely affect the auditor's ability to plan and perform the audit engagement. The audit director and other key members of the engagement team shall be responsible for this phase. The objective of carrying out the pre-engagement activities is to ensure that:

- (a) The auditor maintains the necessary independence and ability to perform the engagement; and
- (b) There is no misunderstanding with the client as to the terms of the engagement.

ARTICLE 16

AUDIT STEPS IN PRE-ENGAGEMENT PHASE

(a) STEPS IN THE PRE-ENGAGEMENT PHASE

- i. Step 1. Establish the team and evaluate capabilities and time required for the engagement
- ii. Step 2. Evaluate compliance with relevant ethical requirements, including independence
- iii. Step 3. Perform procedures required (where necessary) regarding the continuance of the client relationship and the specific audit engagement
- iv. Step 4. Establish an understanding of the terms of the engagement

i. Step 1: Establish the Audit Team and Evaluate Capabilities and Time required for the Engagement

- (a) By this stage, COBEA plans shall already have details of the team which is supposed to undertake the audit. Please refer to the preceding chapter relating to the different types of COBEA plans. The designated person responsible for the audit shall be satisfied that the entire audit team, and any external experts, collectively have the competence and capabilities to:

- i. Carry out the audit in accordance with the relevant standards and the applicable legal and regulatory requirements; and
- ii. Enable the audit team to issue a report that is appropriate in the circumstances.
- iii. The team leader shall use the Competency matrix working paper to record the names of the team allocated to the audit and their respective competencies in relation to the specific audit.

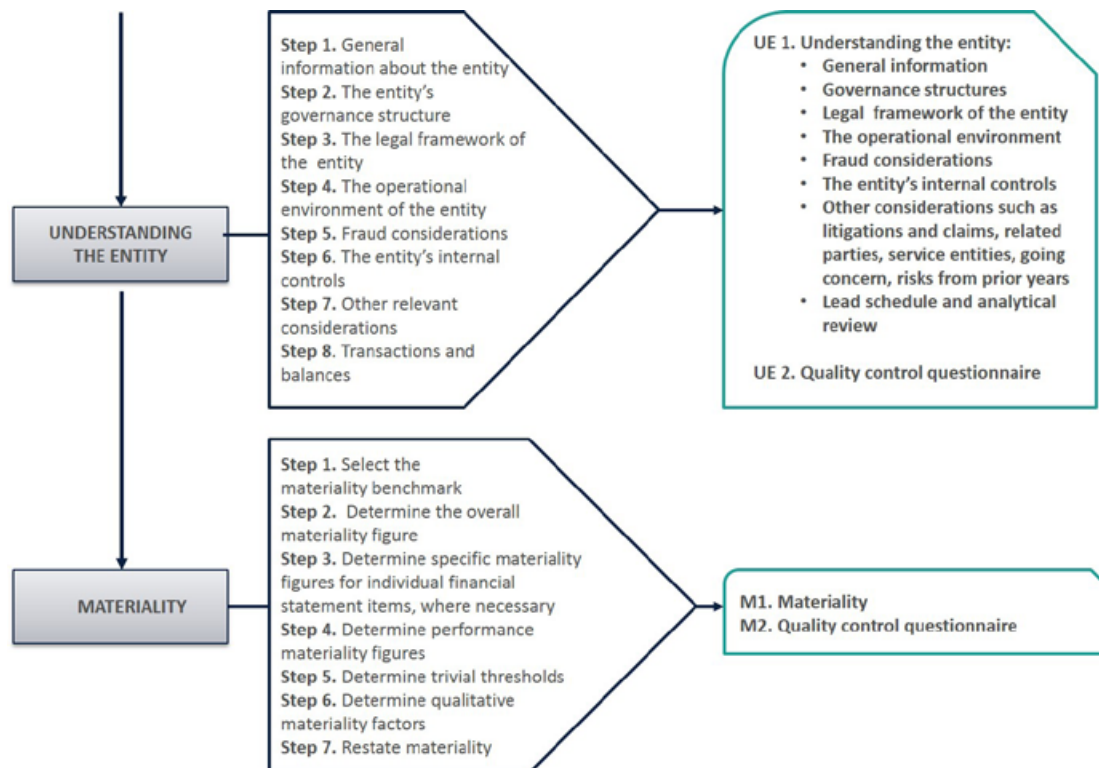
- (b) The discrepancies in relation to required capacities shall be documented. The action to be followed where deficiencies are noted can include the following:
 - i. Self-study of manuals, standards, legislative or accounting frameworks for team members who are not familiar with these;
 - ii. Assigning coaching responsibilities to more senior team members;
 - iii. More frequent reviews of work performed; and
 - iv. Providing short courses on specific problem areas; this could even mean going through the financial reporting framework together as a team and resolving misunderstandings.
- (c) Conclusion on the capacity of the audit team shall be documented and signed by the person responsible for the audit.
- (d) The Budget versus actual working paper shall be used to fill in the planned budgeted man hours for all the activities which relate, and the budgeted time allocated to each member. The budget time may be estimated or based on actual time spent on the audit activities in the previous year. This working paper shall be informed by the budgets set out in the operational plan of the COBEA. The budget shall be reviewed from time to time to reflect any changes to estimates, for example after the risk assessment. Throughout the audit the actual hours / days taken to perform the audit shall be documented. If used correctly, this working paper will allow audit management to monitor the progress of audit work and take corrective action where necessary. Reasons for variances between actual and budgeted hours shall be documented.
- (e) The team leader shall use the information in the Budget vs actual to complete the Team agreement working paper. This working paper shall be signed by each team member as confirmation that they have understood the extent of tasks assigned to them relating to the audit and taken note of the timeframes given to complete the tasks.
- ii. Step 2: Evaluate and Form a Conclusion on Compliance with Relevant Ethical Requirements, Including Independence
 - (a) Each audit team member shall complete and sign the Code of Ethics Declaration for the audit assignment. The audit director shall ensure that team members understand the principles of the code of ethics and based on the individual declarations, conclude for the audit assignment.
 - (b) If there are any identified breaches, the audit director shall determine whether they create a threat to independence for the audit engagement and take appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, or withdrawing the affected individual from the audit engagement.
 - (c) If the person responsible for the audit cannot resolve the issues, this shall be promptly reported to the director general.

- iii. Step 3: Perform Procedures Required (Where Necessary) Regarding the Continuance of the Client Relationship and the Specific Audit Engagement
 - (a) As stated in the preceding chapter, the acceptance and continuance process shall be influenced by the fact that COBEA is mandated to audit certain public sector entities. The auditor shall have the option to decline or withdraw from mandatory engagements.
 - (b) The audit director must refer to COBEA policy for acceptance and continuance of COMESA relationships and specific engagements. The audit director shall undertake or continue relationships and engagements where COBEA:
 - i. Is competent to perform the engagement and has the capabilities, including time and resources;
 - ii. Is able to comply with relevant ethical requirements; and
 - iii. Has considered the integrity of the COMESA management and does not have information that would lead it to conclude that the management lacks integrity.
 - (c) The Competency matrix and Budget versus actual working papers will assist the person responsible for the audit to conclude in this regard. He or she shall use information from previous audits to form a high-level opinion relating to the integrity of the COMESA management.
- iv. Step 4: Establish an Understanding of the Terms of the Engagement
 - (a) The engagement letter is used to communicate with the management of COMESA regarding the objective and scope of the financial audit and the COBEA's obligations as established by law. Agreement and mutual understanding is reached on the issues communicated. The engagement letter is signed by both parties to evidence this agreement. It is in the interest of both the entity and COBEA that the engagement letter is agreed upon before the commencement of the audit to avoid any misunderstandings.
 - (b) The objective of the auditor is to agree with management of COMESA on the basis upon which the audit is to be performed, through:
 - i. Establishing whether the preconditions for an audit are present. This refers to the use of an acceptable financial reporting framework in the preparation of the financial statements and the agreement of management to the premise on which an audit is conducted (the high-level evaluation of the financial reporting framework for a group of COMESA organs shall be undertaken on a COBEA level and it is described in the preceding chapter); and
 - ii. Confirming in writing that there is a common understanding between the auditor and management of the terms of the audit engagement.
 - (c) The person responsible for the audit must follow the procedures as required by the COBEA policy and use the approved templates to complete the engagement letter.

- (d) The following factors may make it appropriate for the person responsible for the audit to revise the terms of the audit engagement or to remind the entity of existing terms:
- i. Any indication that the entity misunderstands the objective and scope of the audit. Indicators may include late responses to requests by auditors for evidence or delay in responding to audit queries;
 - ii. Any revised or special terms of the audit engagement;
 - iii. A recent change of senior management;
 - iv. A significant change in the nature or size of the entity's operations;
 - v. A change in legal or regulatory requirements;
 - vi. A change in the financial reporting framework adopted in the preparation of the financial statements; and
 - vii. A change in other reporting requirements.
- (e) This manual ensures compliance with ISSAI on level 3 of the framework. Shall the auditor be required to comply with ISSAIs on level 4 of the framework, the auditor need to read the relevant standards on level 4 to ensure full compliance with all the requirements.

WORKING PAPER(S) TO COMPLETE

W/P ref	Working paper	Objectives of the working paper	Completed by	Reviewed by
PE 1	Budget versus actual hours spent	Include the planned budgeted hours (or days) as estimated including activities that relate to the audit.	Team leader / Senior Auditor (supervisor)	Overall Supervisor
PE 2	Code of ethics declaration	Consider the compliance of the audit team members with the principles of the code of ethics. Document conflicts of interest and actions taken in response.	Team leader / Senior Auditor (supervisor)	Overall Supervisor
PE 3	Code of ethics conclusion	Conclude on the audit team's compliance with the code of ethics.	Team leader / Senior Auditor (supervisor)	Overall Supervisor
PE 4	Competency matrix	Record the names of the audit team allocated to the audit and their respective competencies in relation to the specific audit.	Team leader / Senior Auditor (supervisor)	Overall Supervisor



APPLICABLE STANDARDS

On Level 3 of the ISSAI Framework

ISSAI 200 par. 85-91

ISSAI 200 par. 104-109

ISSAI 200 par. 110-117

On Level 4 of the ISSAI Framework

ISSAI 1240

ISSAI 1250

ISSAI 1315

ISSAI 1330

ISSAI 1402

ISSAI 1520

ISSAI 1550

ISSAI 1570

ISSAI 1610

ARTICLE 17

OBJECTIVES

The auditor shall obtain an understanding of the COMESA's environment and internal controls. This shall be done with a view to identifying risks and enables the auditor to:

- (a) Assess the risk of material misstatement whether due to fraud or error; and
- (b) Plan and perform the audit efficiently and effectively.

ARTICLE 18

AUDIT STEPS

- (a) The auditor shall gain understanding of the entity and its environment, including the following aspects:
 - i. Step 1. Obtain and document general information about the entity
 - ii. Step 2. Obtain information on the entity's governance structure
 - iii. Step 3. Understand the legal framework of the entity
 - iv. Step 4. Understand the operational environment of the entity
 - v. Step 5. Understand fraud risks
 - vi. Step 6. Understand the entity's internal controls
 - vii. Step 7. Other relevant considerations
 - viii. Step 8. Identify the transactions and balances audited from the financial statements
- (b) Identifying Risks
 - i. Considering the steps 1-8 above the auditor may identify risks. Some of the risks can be clearly linked to an audit component, such as expenditure or assets. These risks shall be addressed during the audit work performed for the component and shall be linked to the relevant RA 3 working paper.
 - ii. Some risks, however, cannot be linked clearly to an audit component as they are more general, affecting the financial statements as a whole. Those risks that are deemed to be pervasive shall be taken to the RA 1 working paper and responses shall be identified. Pervasive risks are those which may have a significant effect on the financial statements, for example the tendency of management to override controls.
 - iii. High-level risks that are not pervasive must be documented in the worksheet and shall be monitored during the coming audits. Recommendations relating to these risks shall be suggested to the COMESA Management in an audit query

or management letter.

i. STEP 1: OBTAIN AND DOCUMENT GENERAL INFORMATION ABOUT THE ENTITY

- (a) Under general information the auditor shall document and consider risks relating to administrative aspects. These include the type of entity that is audited, addresses and banking details. Contact person(s) within the COMESA's governance structure shall be identified to communicate the planned scope and timing of the audit and any significant findings.
- (b) It shall be considered whether information recorded may lead to any risks or how it may influence the audit of the COMESA or its organs. The type of entity, for example, may have implications for the COMESA's legal and governance structure. Significant changes or lack of staff in key positions is noted, as this may also imply risks.
- (c) The auditor shall also be aware of any other audit engagement(s) which may be running parallel to the financial audit. These may include a compliance, performance or even forensic audit. It is a good idea to meet the auditor from the other team to exchange experiences, risks and findings.

ii. STEP 2: OBTAIN INFORMATION ON GOVERNANCE STRUCTURES

(a) Those Charged with Governance

- i. "Those charged with governance" is central to COMESA. The auditor needs to establish what function fulfils this role for the COMESA. Those charged with governance are top management members of the COMESA secretariat and/or its organs. Once the function that is charged with governance has been identified, the auditor shall inspect the documents to understand their roles and responsibilities, especially relating to the financial statements.
- ii. It may pose a challenge to identify those charged with governance when the COMESA management is part of a broader structure with governance bodies at several organisational levels. Thus, in some cases, several distinct groups may be identified as being charged with governance.

(b) Audit Committee

Those charged with governance may delegate the audit and risk assessment issues to a committee that play the role of audit committee. Thus, the Auditors General of COBEA would report to that committee, but the standards require the Auditors General of COBEA also to meet at least annually with those charged with governance.

(c) Internal Audit

- i. The internal audit function is used by management to examine, evaluate and monitor the adequacy and effectiveness of the auditee's internal controls. Internal audit forms part of the control environment of the auditee and therefore must be considered, even if the work performed did not directly relate to the financial statements.

- ii. When the COMESA has an internal audit function, the auditor shall:
 - (a) Evaluate whether the work done by the internal auditors is adequate for the auditor to rely on for purposes of the audit; and
 - (b) If yes, determine the extent of planned reliance on the work of the internal auditors. The effect of this reliance on the nature, timing or extent of the auditor's work shall also be assessed.
- iii. The scope of the external audit may be reduced due to the reliance placed on the work of internal audit.
- (d) Expectations of the Legislature and Other Users of the Auditor's Report
 - i. It must be important to understand and try to meet the expectations of the COMESA Council of Ministers. This is often something that is taken care of by COBEA management, but it can also be relevant to the individual audit.
 - ii. Sometimes it is impossible to meet the expectations of Council of Ministers within the mandate of a financial audit. If so, the COBEA members shall discuss the expectations with Council of Ministers and consider examining previous reports on COMESA.

iii. STEP 3: UNDERSTANDING THE LEGAL FRAMEWORK OF COMESA

(a) Laws and regulations

Laws and regulations fall under the following two categories:

- i. Financial rules and regulations set by the Treaty or Directives and instructions of COMESA Council of Ministers, etc. which have a direct effect on the determination of material amounts and disclosures in the financial statements.
- ii. Laws that may not directly affect the determination of amounts in the financial statements but are fundamental to the operations of the entity and its ability to continue its operations, or to avoid material penalties. An example may be compliance with the terms of an operating licence.
- iii. For laws that directly affect the determination of material amounts in the financial statements, the auditor needs to obtain audit evidence regarding the COMESA's compliance.
- iv. For laws and regulations that fundamentally affect the operations of the entity, audit work may be limited to specific audit procedures for those aspects that relate to disclosures in the financial statements, i.e. inspecting correspondence, if any, with the relevant licensing or regulatory authorities.
- v. This is to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements.
- vi. This means that most acts, including COMESA Procurement Rules And Regulations and purchase contracts, will only be looked at under the circumstances where the

entity may risk a material fine for not complying or when an appeal of the procurement may risk serious delays that will lead to increased costs for the entity. Unless this is the case, it is often nearly impossible for the auditor to prove that the non-compliance has led to increased costs.

- vii. Environmental laws are treated in the same way: unless non-compliance may lead to material fines or costs for restoration, it will not be part of the financial audit.
- viii. The auditor shall use overall materiality to determine what would be a material fine or extra cost.
- ix. During the phase of understanding the entity the auditor shall gain an understanding of which laws may fall into which category and the impact they may have on the financial statements. When a risk of material misstatement is identified due to non-compliance with laws and regulations, the risk shall be linked to an audit component and responses shall be identified in the relevant RA 3 working paper.
- x. Non-compliance with approved budgets may lead to a material misstatement in the financial statement. It is recommended that such non-compliance is reported in a separate opinion to clarify the conclusions to the users of the audit report.

(b) Financial Reporting Framework

The financial reporting framework is normally evaluated for COMESA Secretariat and its Agencies by COBEA. However, in certain circumstances the auditor may conclude that there is a need for additional disclosures to make the financial statements true and fair. If so, the auditor shall ask management of COMESA to include such additional disclosures in the financial statements.

(c) Accounting Policies

The audited entities normally have their own accounting policies. The auditor must establish whether they are relevant and if there have been any changes since the previous year. If so, establish the reasons for the changes.

iv. STEP 4: UNDERSTAND THE OPERATIONAL ENVIRONMENT OF THE ENTITY

(a) The mandate of COMESA

The auditor shall gain understanding of the mandate of COMESA and/or its organs and how it is financed. This information will indicate possible risks of material misstatements in the financial statement. For example, extensive reliance on an entity to collect Member State's contributions, funds from cooperating partners etc. may create cash flow problems. Similarly, there may be risks relating to the type of operations of the COMESA or its organs, i.e. increased risks of bribes and threats in an operation involved with inspections.

(b) Decisions Due to Political Processes

Changes in geographic locations or closures of existing locations, reorganisations, including transfer of activities to other entities, new programme areas, budgetary constraints or cut-

backs are all examples of decisions that have a major impact on the entity and may lead to increased costs.

(c) Programme objectives and strategies

Programme objectives and strategies may include public policy elements and therefore have implications for the risk assessment. A new strategy or programme objective for the entity may indicate increased cost or cut-backs. Either way this is an important risk to consider.

V. STEP 5: UNDERSTAND FRAUD RISKS

(a) What is a Fraud?

Misstatements in the financial statements can arise from either fraud or error. The distinction is that fraud is caused intentionally while an error is unintentional. It is the responsibility of management and those charged with governance to implement internal controls to prevent and detect fraud. During the phase of understanding the entity the auditor shall identify and assess the risks of material misstatement due to fraud at the financial statement level, and at the assertion or component level.

(b) Objectives of the Auditor in Auditing Fraud

i. The auditor's objectives shall be:

- (a) To identify and assess the risks of material misstatement of the financial statements due to fraud;
- (b) To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud; and
- (c) To design and implement appropriate responses to the identified risk.

ii. The auditor shall apply professional scepticism throughout the audit. Recognise that fraud could exist, and that internal controls effective for discovering errors may not be effective for discovering fraud. There are two types of fraud – fraudulent financial reporting and misappropriation of assets.

iii. The auditor shall obtain evidence regarding:

- (a) Management's assessment of the risk of fraud;
- (b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific transactions or account balances where risk of fraud is likely to exist;
- (c) Any actual, suspected or alleged fraud affecting the entity identified and whether those charged with governance, selected officials and board members have knowledge of this;
- (d) The internal controls established by management to mitigate the risk of fraud,

processes for identifying and responding to the risks of fraud and monitoring by those charged with governance;

- (e) Whether unusual or unexpected relationships that have been identified in performing analytical procedures, including those related to revenue accounts, may indicate risks of material misstatement due to fraud; and
- (f) Whether any information obtained throughout the audit indicates that fraud risk factors are present.

iv. In terms of this, the auditor shall be able to identify the red flags (fraud risks) in a particular audit area or component.

(c) Management Override – Significant Risk

i. Management has the opportunity to override controls to process invalid transactions, manipulate accounting records and prepare fraudulent financial statements. The risk of management overriding controls is present in all entities. Due to the unpredictable way in which such override could occur, the risk of material misstatement due to fraud is thus a significant risk.

ii. To respond to the risk of override of controls by management, the auditor needs to:

- (a) Test the appropriateness of material journal entries especially around the financial year-end;
- (b) Review accounting estimates for biases in management's judgement and decisions; and
- (c) Evaluate business rationale for significant transactions that are outside the normal course of business or otherwise unusual transactions.

(d) Communicating Fraud

Although the auditor may suspect or, in rare cases, find evidence of fraud, the auditor shall not make legal determinations of whether fraud has actually occurred unless he/she is required by law to do so. Suspected or actual fraud shall be communicated on a timely basis to the appropriate level of management and to those charged with governance. There may also be statutory reporting responsibility to regulatory bodies and enforcement authorities, prosecutors and police.

vi. STEP 6: UNDERSTANDING THE ENTITY'S INTERNAL CONTROLS

(a) Internal controls of the COMESA

i. The auditor shall take into consideration the COMESA's internal controls relevant to the audit, including:

- a) Communication and enforcement of integrity and ethical values to understand the control environment;

- b) Relevant internal controls including the manual and the information technology (IT) environment; and
 - c) Procedures, within the entity, for identifying business risks relevant to financial reporting objectives.
 - ii. The auditor shall evaluate the design and implementation of the controls. Internal controls are adequately designed when they can prevent or detect misstatements and errors. If controls are not appropriately designed, the auditor shall not consider their implementation, but report the ineffective design to management.
 - iii. Internal control consists of the following components:
 - (a) The control environment;
 - (b) The entity's risk assessment process;
 - (c) The information system, including the related processes relevant to financial reporting and communication;
 - (d) Control activities; and
 - (e) Monitoring of controls.
 - iv. Some of it, such as control activities, will be documented and evaluated for each audited component.
- (b) Considering the Information Technology (IT) Environment
- i. COMESA use The Sun Accounting System to process financial transactions. In addition, some COMESA entities may also use additional accounting system such as ASYCUDA. As part of understanding the operations of the COMESA and its organs there is also a need to evaluate the IT environment.
 - ii. The auditor shall gain an understanding of the COMESA's application systems to:
 - (a) Identify major application systems involved in processing financial information. If there are different modules available, auditors shall also understand which modules are actually implemented from the system (general ledger, payroll, accounts receivable etc.). For example, COMESA and its organs may use an IFMIS system to document financial transactions. However, there may be other systems such as a payroll system calculating and documenting transactions relating to payroll; and
 - (b) Understand how different financial and non-financial systems interlink or feed information into the system that generates information for the financial statements. There may also be other systems documenting information on revenue collected, or debtors, which may regularly interface with the financial system. The frequency and nature of such links between systems shall be understood and documented.

- iii. The auditor, as financial auditor, has a responsibility to look at the IT functions within COMESA. However, in the case of a centralised system some risks will be addressed by centralised controls. These controls may be applicable to all COMESA organs and projects. These controls may be audited by a central team – often IT auditors of the COBEA. The auditor, as the financial auditor, shall still identify and audit the risks and relevant controls within COMESA. For example, there may be a password policy on market level, but it will be applied on an entity level. The auditor needs to establish whether the policies are applied by COMESA.

The auditor shall understand what kind of information is transferred from one system to another. How often does this happen? The modules or sub-systems used shall also be understood and documented.

vii. STEP 7: OTHER RELEVANT CONSIDERATIONS

(a) Litigation and Claims Against the Entity

Litigation and claims often have a financial impact on the financial statements and shall therefore be considered as risks for material misstatements.

(b) Service Organisations

- i. COMESA may have outsourced some of its key functions to another organisation. The first question is whether the outsourced function is relevant to the financial processes. The services provided and the controls over them are only relevant for the audit when they influence the entity's:
 - (a) Information systems linked to financial reporting, for example when transactions, such as the payroll function, which materially impact the salaries figure in the financial statements, are outsourced;
 - (b) Compliance with relevant legislative requirements;
 - (c) Procedures to initiate, record, process or correct transactions as necessary, transferred to the general ledger and reported in the financial statements. For example, when the IT function is outsourced;
 - (d) Maintenance of appropriate internal controls as applicable; and
 - (e) Delivery of services.
- ii. Services provided relating purely to processing of transactions, for example processing transactions by financial institutions or banks, are not considered under this section.
- (c) When the Outsourced Function is Relevant

When the auditor finds that the function is relevant to financial processes, he/she shall obtain audit evidence regarding the internal controls in place reducing the risk of material misstatements in financial reporting.

- d) Related Parties
 - i. A related party can be defined as:
 - (a) Another entity over which COMESA has control or significant influence, directly or indirectly through one or more intermediaries; or
 - (b) Another entity that is under common control with the COMESA through having:
 - i. Common controlling ownership;
 - ii. Owners who are close family members; and
 - iii. Common key management.
 - ii. COMESA organs and institutions under common control by the secretariat shall not be considered to be related unless they engage in significant transactions or share resources to a significant extent with one another.
 - iii. The auditor shall ask management of COMESA about any related parties and investigate if there are significant transactions with these related parties. There may also be instances where no transactions are recorded where they shall have been, i.e. rent has not been charged to a related party.
 - iv. The objectives of the audit are to:
 - (a) Obtain sufficient understanding of related party relationships and transactions of COMESA to recognise risks, including the risk of fraud;
 - (b) Conclude whether the financial statements, insofar as they are affected by those relationships and transactions, achieve fair presentation in line with the applicable financial reporting framework or are not misleading; and
 - (c) Conclude that related party transactions are in compliance with legislative requirements – where applicable.
- (e) Understanding the Work of an Expert
 - i. “Expert” means a person or firm possessing special skill, knowledge and experience in a particular field other than accounting and auditing and whose work the auditor may use to obtain sufficient appropriate audit evidence.
 - ii. Examples of when the auditor may consider using the work of an expert include the following:
 - a) Valuations of certain types of assets, for example land and buildings;
 - b) Determination of amounts using specialised techniques or methods, for example an actuarial valuation; and

- c) Legal opinions concerning interpretations of agreements, statutes and regulations.

iii. The objectives of the work that the auditor needs to perform are:

- a) To determine whether to use the work of an auditor's expert; and
- b) If using the work of an auditor's expert, to determine whether that work is adequate for the auditor purposes.

iv. During the phase of understanding the entity the auditor only needs to identify when the use of the expert is appropriate.

f) Going Concern / Sustainability of Services

i. How Does the Going Concern Assumption Apply in the Public Sector?

(a) An entity is a going concern when it is reasonably certain that it will continue to meet its statutory obligations for the foreseeable future. Statutory obligations arise created by laws and regulations. In other words, a public sector entity can be seen as a going concern when it is able to fulfil both its financial obligations as well as those prescribed by law.

(b) General purpose financial statements are prepared on the assumption that COMESA is a going concern and will continue to meet its statutory obligations for the foreseeable future. Since the going concern assumption is a fundamental principle in the preparation of financial statements, management must assess the market's ability to continue as a going concern even if the financial reporting framework does not explicitly require them to do so.

(c) When looking at going concern in the public sector, entities lacking appropriate funding or spending more than their resources cover are affected differently than their private sector counterparts. A public sector entity will not necessarily go "out of business" but rather it will not be able to continue operations and deliver the required services to the public or to other public sector entities. This may manifest differently in practice:

- i. No services delivered on primary mandates of the entity (such as no health services provided, closing of schools etc.);
- ii. Significant impact on the services (nurses are appointed instead of doctors) as a result of lack of ability to attract the right level of skills; and
- iii. Lack of ability to pay creditors including consultants who perform work on behalf of the entity, which has a negative impact on the economics of the country on an overall level.

(d) Factors which may influence the auditor assessment of risk:

- i. Risk of changes in the treaty; and

- ii. Operational risk such as insufficient working capital to continue operations, cash flow problems and lack of funding usual relationships identified in the financial statements (e.g. liabilities exceeding assets)

ii. Additional Procedures When Events or Conditions are Identified

- (a) When events or conditions have been identified, which may cast significant doubt on the entity's ability to continue delivering services, the auditor shall perform additional procedures to assess management's plans and actions.
- (b) Further guidance is available as per the chapter on reporting in this manual, if the auditor concludes that use of the going concern assumption is appropriate in the circumstances and adequate disclosure is made in the financial statements, but that a material uncertainty exists.

iii. Prior Year's Audit Reports

- (a) The auditor shall consider issues reported in the prior year's auditor's report, management letter and the reports of meetings of the COMESA Council of Ministers. Material issues, especially those that have been repeated over many years, shall be identified as risk areas. The corrective actions taken by management will be followed up during fieldwork, not at this point. The auditor shall also review all reports previously issued on performance or any other type of audits.
- (b) For initial audits or where there has been a change of auditors, information shall be gathered through communicating with the preceding auditor, who may ordinarily have the previous experience with the entity that is considered when planning recurring engagements.

iiiv. STEP 8: IDENTIFY THE TRANSACTIONS AND BALANCES AUDITED FROM THE FINANCIAL STATEMENTS

(a) Identifying Audit Components

- i. The purpose of a lead schedule is to link the audit work performed to the audited financial statements. It is important that the totals shown can easily be traced to the final, audited financial statements.
- ii. If the auditor starts the audit before the financial statements are finalised, interim or budgeted figures can be inserted in the column titled "current year's final figures". Preliminary analytical review can be completed using interim figures in order to identify risks. However, interim figures shall be updated with final figures as soon as these are available.
- iii. Populating the lead schedule begins with looking at the audited financial statements and identifying all material balances on the main financial statements separately. For this, the auditor needs to consider both quantitative and qualitative materiality. For example, a component that is not material may be identified for audit due to its nature and the risks attributed to it. There may

also be instances where two or more immaterial balances of the same nature, i.e. expenditures, can be grouped together to form a material audit component. When an immaterial financial statement figure is not going to be audited in the current audit, this shall be explained in the working paper.

- iv. As the auditor need to have an idea about which balances are material, it is suggested that an overall materiality figure is calculated before identifying audit components from the financial statements. Compiling the lead schedule requires the auditor to understand the nature of the account balances. This will enable the auditor to group items with similar processes into the same audit components.
- v. The auditor shall try and keep the main lead schedule on a high level. If it is necessary to break the balances and transactions down into sub-components for audit work, this may also be done in the relevant working paper RA 3, Risk assessment for components. Breaking the balances on the face of the financial statements up into sub-components may result in too many audit components with possibly similar risks and processes. This may lead to duplication of audit work for risk assessment and even sampling, which can be avoided if the components are grouped together.

(b) Analytical Review

- i. Analytical procedures at this point are performed to obtain an understanding of the entity and identify risks. Comparing actual to budget amounts and prior year figures allows the auditor to identify risk areas.
- ii. Keep in mind that merely stating that there are differences is not enough to identify risks. The auditor needs to request management to comment on the differences and evaluate the risks considering these explanations.

ARTICLE 19

HOW TO OBTAIN AN UNDERSTANDING OF COMESA

- (a) The various risk assessment procedures prescribed in the working papers are:
 - i. Inquiries of management and other personnel within the entity. This may include discussions with personnel on different levels of the entity, knowledgeable persons outside the entity, other auditors involved in other audits running within the entity.
 - ii. Analytical Procedures whereby the following relationships are considered:
 - a) Expenditure versus appropriation;
 - b) Benefit payments, such as child support and pensions versus demographic allocations; and
 - c) Interest as a percentage of debt compared to the established borrowing rate.

iii. Observing or Inspection Of documents such as:

- a. reports or minutes;
- b. Additional documents prepared by management for the legislature, such as performance reports or funding requests;
- c. Testimonies of agency officials;
- d. Ministerial and other directives; and
- e. Official records.

iv. Observing / Re-Performing the application of specific controls

- (b) Relevant audit evidence may be obtained through a combination of inquiries and other risk assessment procedures, such as the corroboration of inquiries through observation or inspection of documents. Inquiry alone, however, is not sufficient to draw conclusions and shall be supported with further procedures and evidence.

(c) Using the Previous Year's Audit Work

The entity's environment and internal controls may not have changed significantly from the prior year. For continuing engagements, the auditor previous experience with the entity and both the permanent file information and the previous year's audit files contribute to the understanding of the entity. When completing the working papers under this section, the auditor may use the knowledge that was gained during previous years' audit, for example on the entity's organisational structure, operations, systems and controls. The auditor shall still confirm that the facts have not changed from the prior year before drawing conclusions. Appropriate audit procedures, such as walkthrough procedures or inspection of documents, may be necessary to establish whether changes have occurred.

(a) NOTE FOR REVIEWER

- i. By the act of signing off a working paper, as a reviewer the auditor is attesting that the auditor has ensured the following:
 - (a) All relevant information for the purposes of concluding on this stage of the audit process has been duly considered; and
 - (b) The auditor agrees with the conclusions made on each working paper and all coaching notes have been addressed appropriately.
- ii. This manual ensures the compliance with ISSAIs on level 3 of the framework. Shall the auditor be required to comply with ISSAIs on level 4 of the framework, the auditor shall have to read the relevant standards on level 4 to ensure full compliance with all the requirements.

WORKING PAPER(S) TO COMPLETE

W / P ref	Working paper	Objectives of the working paper	Completed by	Reviewed by
UE 1	Understanding the entity	Gain understanding of different aspects of COMESA's external and internal environment which may influence the financial statements.	Auditor / team leader/ Senior Auditor (supervisor)	Overall Supervisor

ARTICLE 20

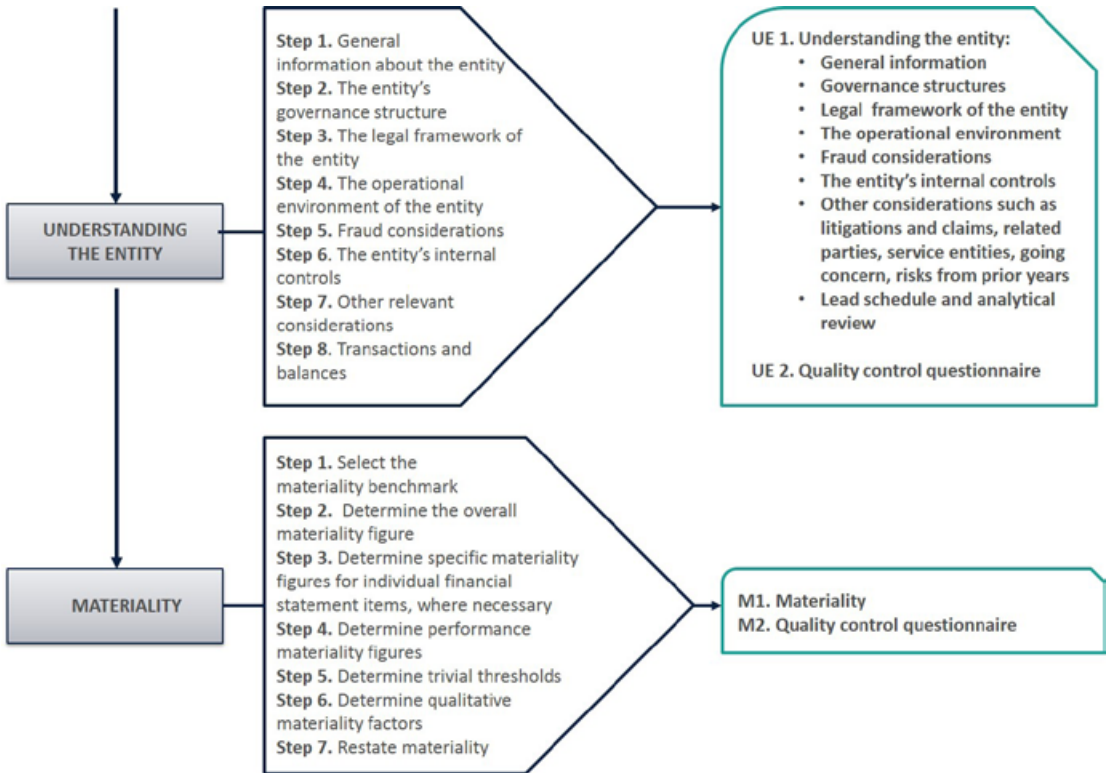
CONCLUSION

After gaining an understanding of COMESA and identifying risks, the auditor shall calculate the materiality figures and then proceed to the risk assessment phase of the audit. There the auditor shall consider the risks identified so far. Those risks which affect the financial statements as a whole and those which can be linked to an assertion will be documented in the respective working papers. These risks shall form the basis of the next phase of risk assessment and response.

CHAPTER 4

MATERIALITY

Where are we in the process?



APPLICABLE STANDARDS

On Level 3 of the ISSAI Framework

ISSAI 200 par. 58

ISSAI 200 par. 140

On Level 4 of the ISSAI Framework

ISSAI 1320

ARTICLE 21

OBJECTIVES

COBEA shall apply the concept of materiality in an appropriate manner when planning and performing the audit. COBEA's objective is to apply the concept of materiality appropriately throughout the audit, especially when:

- (a) Identifying the components to be audited (overall planning);
- (b) Determining the nature, timing and extent of audit procedures (detailed planning); and
- (c) Evaluating the effect of misstatements (reporting).

ARTICLE 22

WHAT IS MATERIALITY

- (a) Misstatements, including omissions, are material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.
- (b) COBEA shall make judgements about materiality based on the auditor professional judgement regarding both the financial effect on the financial statement (quantitative materiality) and the nature of the misstatement (qualitative materiality). The level of materiality is based on a consideration of the common financial information needs of users. In addition, the inherent nature or characteristics of items also need to be considered as this may render them material.
- (c) Materiality is used in planning the audit work, but also to evaluate the findings from the audit work. It is important to remember that it is only a tool and it may be necessary to deviate from the set materiality when evaluating findings.

ARTICLE 23

AUDIT STEPS

Materiality is set on four different levels: overall materiality, performance materiality, specific materiality and clearly trivial items. The following audit steps shall be followed:

- (a) Step 1. Select the materiality benchmark
- (b) Step 2. Determine the overall materiality figure
- (c) Step 3. Determine specific materiality figures for individual financial statement items, where necessary
- (d) Step 4. Determine performance materiality figures
- (e) Step 5. Determine trivial thresholds
- (f) Step 6. Determine qualitative materiality factors
- (g) Step 7. Restate materiality

(a) STEP 1: SELECT THE MATERIALITY BENCHMARK

The first step in calculating the overall materiality figure is to select an appropriate benchmark. The benchmark is normally an item in the financial statements. In an audit of a public sector entity, total expenditure or revenue is most often used as benchmark. Where a public sector entity has custody of public assets, assets may be an appropriate benchmark. Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include categories of reported income such as total revenue or expenses, total or net asset value, total equity and profit before tax for some entities. When the most appropriate item is volatile, other items may be more appropriate to base materiality on. For example, when an asset-rich entity has changing asset figures from one year to the next, this may not be appropriate to base materiality on.

(b) STEP 2: DETERMINE THE OVERALL MATERIALITY FIGURE

COBEA shall calculate the overall materiality figure using the benchmark selected in step 1. The percentage used in the calculation shall be based on the guidelines set by the COBEA management.

(c) STEP 3: DETERMINE SPECIFIC MATERIALITY FIGURES FOR INDIVIDUAL FINANCIAL STATEMENT ITEMS

- i. As described above, the overall materiality shall be determined for the financial statements as a whole. However, if COBEA believe that for some balances or disclosures a lesser amount of materiality is applicable, a specific materiality may be calculated for that audited component. COBEA shall consider lower materiality for an audit component when the following apply:

- (a) A law, regulation or the applicable financial reporting framework affects users' expectations regarding the measurement or disclosure of certain items (for example, related party transactions, and the remuneration of management and those charged with governance);
 - (b) Key disclosures are required for the entity (for example, research and development costs, consultancy costs etc.); or
 - (c) The attention of the user is focused on a particular aspect of the entity's operations that is separately disclosed in the financial statements (for example a newly acquired mine or hospital, or census performed in the year etc.).
- ii. Specific materiality is often used for matters that are material by nature rather than value. In some situations, a matter well below the quantitative materiality level may be determined as material based on the nature of the item or the circumstances related to the misstatement, for example:
- (a) The information that there are a number of transactions with related parties may be very significant to a person making a decision based on the financial statements;
 - (b) An instance of fraud by management (however immaterial) would likely be significant to financial statement users;
 - (c) Where emphasis is placed on the issue by applicable laws and regulations and the compliance with these, for example overspending may be deemed material irrespective of the amounts involved;
 - (d) If the matter(s) is in the public's interest or sensitive. In some cases, the fact that there is a need for legislative oversight and regulation in a particular area; or
 - (e) Sensitive payments, i.e. remuneration to top management.
- iii. Specific materiality can also be used for setting a higher overall materiality for an area, i.e. when the tax authority has all tax revenue in their financial statements, this revenue could have a higher overall materiality than the one calculated using total expenditure.
- (d) **STEP 4: DETERMINE PERFORMANCE MATERIALITY FIGURES**
- i. The purpose of setting the performance materiality at a lower level than overall materiality is to provide for a buffer to reduce the probability that the total of uncorrected and undetected misstatements in the financial statements exceeds the overall materiality level. If COBEA performs the audit to identify individual misstatements exceeding overall materiality only, there would still be a risk that the aggregate of individually immaterial misstatements would exceed the overall materiality. So, COBEA shall perform some additional work that is sufficient to allow for a margin or buffer for possible undetected misstatements. For this reason, performance materiality is used

for determining the nature, timing and extent of audit procedures to be performed.

- ii. The performance materiality is identified as a percentage of the overall materiality. The percentage used to calculate performance materiality is based on the conclusions on the risk of material misstatement at a financial statement level (refer to working paper RA 1, Risk assessment and response at a financial statement level). The higher the risk of material misstatement is for the audit, the lower the level of performance materiality and vice versa.
- iii. As the performance materiality calculation requires the assessment of the risk of material misstatement, auditors shall confirm at the end of completing working paper RA 1 that the correct percentage has been used.
- iv. Performance materiality is based on the level of risk of material misstatement (RMM), where:
 - (a) Low RMM gives a performance materiality of 75% of the overall materiality;
 - (b) Medium RMM gives a performance materiality of 50% of the overall materiality; and
 - (c) High RMM gives a performance materiality of 25% of the overall materiality.
- v. This means that if the RMM is identified as low, fewer items will be picked for the risk assessment, because there is a perception that the internal controls will prevent or detect any errors.

(e) STEP 5: DETERMINE TRIVIAL THRESHOLDS

- i. During the audit, all errors and misstatements are accumulated, except for those that can be regarded as clearly trivial. Clearly trivial misstatements would not need to be accumulated because it is expected that the accumulation of such amounts clearly would not have a material effect on the financial statements.
- ii. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.
- iii. COBEA shall not bother about clearly trivial findings and shall not record them in the summary of findings. Clearly trivial is normally calculated at 1% of overall materiality. The purpose of setting a level for clearly trivial is to indicate to the audit team what to look for and what not to look for and thus focusing on the material areas and bigger findings.

(f) STEP 6: DETERMINE QUALITATIVE MATERIALITY FACTORS

- i. In the public sector, the auditor also shall consider qualitative aspects of materiality due to the public interest.

ii. The public interest reflects the fact that all Contributions from COMESA Member States represent the taxpayers' money and therefore accountability for spending of COMESA Member States' contributions and reserve fund/s.

iii. ISSAI 1320: P10 gives more guidance on the issues to be considered as follows:

When determining whether a particular class of transactions, account balance, disclosure, or other assertion which is part of the financial reporting framework, is material by virtue of its nature, public sector auditors take into account qualitative aspects such as:

- (a) The context in which the matter appears, for example if the matter is also subject to compliance with authorities, legislation or regulations, or if law or regulation prohibits overspending of public funds, regardless of the amounts involved;
- (b) The needs of the various stakeholders and how they use the financial statements;
- (c) The nature of the transactions that are considered sensitive to users of the financial statements;
- (d) Expectations and interests of the COMESAs members including emphasis placed on the particular matter by relevant committees, such as the COMESA Sub-committee on Audit and Budgetary matters, Intergovernmental Committee and COMESA Council of Ministers including the necessity of certain disclosures;
- (e) The need for legislative oversight and regulation in a particular area; and
- (f) The need for openness and transparency, for example if there are particular disclosure requirements for frauds or other losses.

iv. Although financial audit does not directly aim to address these objectives, it shall however be kept in mind throughout the audit.

(g) STEP 7: RESTATING MATERIALITY

- i. COBEA may need to calculate materiality before the final financial statement is available, using budgeted figures, estimated amounts or interim financial information. As soon as final information is available the auditor has to revise the calculated overall materiality and performance materiality.
- ii. COBEA also has to revise the materiality if the auditor becomes aware of information during the audit that would have caused the auditor to determine a different materiality. At the end of the audit, the auditor shall consider whether the materiality level(s) is still appropriate. The auditor documents any revision to the materiality in the working paper *Audit differences*.
- iii. The table below summarises the different types of materiality and how they are used during the audit.

	Overall	Specific	Performance
Purpose	To establish the threshold for determining whether the financial statements are free from material misstatement, whether due to error or fraud.	To establish a threshold(s) (lower than overall materiality) to be applied to particular classes of transactions, account balances, or disclosures where misstatements of lesser amounts than overall materiality for the financial statements could reasonably be expected to influence the economic decisions of users.	To establish the threshold(s) (lower than overall or specific materiality) that ensures immaterial misstatements (less than overall or specific materiality) are identified, and provides the auditor with a safety margin.
Basis of calculation	What level of misstatement in the financial statements would be tolerable to users? Normally a percentage of total expenditure or total revenue is used.	What level of misstatement relating to special circumstances in a particular class of transactions, account balances, or disclosures could reasonably be expected to influence the economic decisions of users?	<ul style="list-style-type: none">- What amounts of audit work will be required to:- Identify misstatements below- overall or specific materiality;- Leave a sufficient buffer for undetected misstatements.
Rules of thumb <i>(For use as a starting point)</i>	Materiality is a matter of professional judgement rather than a mechanical exercise.	Establish a lower, specific materiality amount (based on professional judgement) for the audit of specific or sensitive financial statement areas.	No specific guidance is provided in the standards. Percentages range from 60% (of overall or specific materiality), where there is a higher risk of material misstatement, up to 85%, where the assessed risk of material misstatement is less. Suggested percentages are included in the working paper.

	Overall	Specific	Performance
Use in audit	Determining whether uncorrected misstatements individually or in aggregate exceed overall materiality	Determining whether uncorrected misstatements, individually or in aggregate, exceed the specific materiality.	- Determining the extent of audit testing.
Revision as the audit progresses	A change in circumstances that occurred during the audit due to: <ul style="list-style-type: none"> - New information; - Change in COBEA policy. 	A change in general circumstances.	<ul style="list-style-type: none"> - Change in assessed risks; - Nature and extent of misstatements found when performing further audit procedures; or - Change in understanding of the entity.

ARTICLE 24

CONCLUSION

Once COBEA has set materiality levels the auditor may proceed to the risk assessment phase of the audit. Remember that the selection of the audited components from the financial statements in the working paper *Understanding the entity* shall be based on the overall materiality figure. Refer back to part 8 of that working paper if this was not done.

This manual ensures the compliance with ISSAIs on level 3 of the framework. Shall the auditor be required to comply with ISSAIs on level 4 of the framework, the auditor shall read the relevant standards on level 4 to ensure full compliance with all the requirements.

WORKING PAPERS TO COMPLETE

W / P ref	Working paper	Objectives of the working paper	Completed by	Reviewed by
M1	Planning materiality	<p>Document the following with relevant explanations for calculations:</p> <p>(a) Overall materiality for the financial statements as a whole;</p> <p>(b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures;</p> <p>(c) Performance materiality; and</p> <p>(d) Any revision to materiality.</p>	A u d i t o r / team leader / Senior Auditor (supervisor)	O v e r a l l Supervisor

CHAPTER 5
RISK ASSESSMENT AND RESPONSE

Where are We in the Process?

Decision Tree for Deciding on the Audit Approach



APPLICABLE STANDARDS

Risk Assessment

On level 3 of the ISSAI framework:

ISSAI 200 par. 92-95

On level 4 of the ISSAI framework:

ISSAI 1315

ISSAI 1330

Risk Response

On Level 3 of the ISSAI Framework

ISSAI 200 par. 82; 87

ISSAI 200 par. 92

ISSAI 200 par. 102

ISSAI 200 par. 104

ISSAI 200 par. 110, 132

On Level 4 of the ISSAI Framework

ISSAI 1240

ISSAI 1300 §9

ISSAI 1330.5; 6; 7

ISSAI 1540

ISSAI 1550

ISSAI 1570

ISSAI 1501

ISSAI 1505

ARTICLE 25

OBJECTIVE

- (a) The objective of the risk assessment phase is to assess the risks of material misstatement:
 - i. On a financial statement level; and
 - ii. On an assertion level for the classes of transactions, account balances and disclosures which are selected for audit.
- (b) At the end of the risk assessment the auditor shall understand where to focus the audit work, e.g. on the areas that are mostly exposed to damage or loss, whether it may be due to human error or malicious act.
- (c) The objective of the risk response phase is to design appropriate audit procedures to address the assessed risks of material misstatement in the financial statements. The auditor shall understand the nature and timing of audit procedures to design an appropriate mix of tests of controls, tests of details, substantive analytical procedures to provide audit evidence and reasonable assurance at the assertion level.

ARTICLE 26

AUDIT STEPS

- (a) Step 1. Perform risk assessments
- (b) Step 2. Assess risks at a financial statement level
- (c) Step 3. Assess risks for assertions and audit components
- (d) Step 4. Conclude on the audit strategy
- (e) Step 5. Address risks at the financial statement level
- (f) Step 6. Address risks for components

- (g) Step 7: Establish control reliance
- (h) Step 8. Restate control reliance
- (i) Step 9. Design substantive procedures
- (j) Step 10. Address risk areas that need specific consideration
- (k) Step 11. Decide on the timing of the audit procedures

a) STEP 1: PERFORM RISK ASSESSMENTS

i. What are Risks and Why are We Looking at them?

- (a) A risk represents uncertainty or the potential to lose or gain something of value. For financial audit, what this means is that for these higher-risk areas, there is a bigger chance for the financial statements to be materially misstated. Risk assessment forms a very important part of our audit as we need to ensure that the limited time and resources are spent on areas that are susceptible to material risk – or in other words, are important.
- (b) Audits of financial statements carry the risk that the auditor will express an inappropriate conclusion if the subject matter information is materially misstated (this is called the audit risk). The audit risk links closely to the risk that material misstatements will not be detected during the audit (detection risk). The audit therefore shall be carefully planned, including risk identification procedures followed by selecting adequate responses to reduce the audit risk to an acceptable level.
- (c) During gaining knowledge of the entity the auditor may have identified various weaknesses in evaluating the COMESA's financial information, internal controls, control environment, risk management practices etc.
- (d) We have also identified the audit components for the audit and performed a basic analytical review.
- (e) The risks the auditor identified during the phase of the audit Understanding the entity will form the basis of the high-level risk assessment which is described in this chapter. In addition, the risks and controls for each of the audit components will be also evaluated.
- (f) Risk identification and assessment is an ongoing process throughout the audit. New risks may arise during the year; already identified and assessed risks may need to be reassessed. Once this has been done, the planning documents are updated.

ii. Inherent Risks

- (a) Inherent risk refers to the susceptibility of a class of transactions, account balance or disclosure to a misstatement that could be material.
- (b) These risks are inherent in the processes, for example the fact that cash may be

stolen. What this means is that the auditor knows what will most likely go wrong for each audited component. For example, cash received will most likely be lost or stolen and consequently not recorded and banked. The risks inherent in the processes do not change over time. What may change from one auditee to another is the impact that these risks can have on the specific items. For example, one entity may have material inventory as opposed to another entity which may carry inventory at a lower value. The inherent risk that inventory may go missing shall be ranked much higher at the entity with material inventory. The auditor shall naturally evaluate and test relevant management controls at this entity relating to inventory. At the second entity, this may not be identified as high risk and much less audit work is planned.

iii. Control Risks

Control risk refers to the risk that a material misstatement is not prevented and / or detected by the entity's internal controls. For example, if the inherent risk is that cash may be stolen, the control risk may be that management has not instituted controls to prevent or detect money going missing.

iv. Significant Risks

(a) Significant risks are as the name says: those inherent risks that are deemed to be so severe and material that they require special audit attention. It is important to note that not all inherent risks are significant and that not all entities necessarily have any significant risks. When identifying significant risks, the auditor shall apply professional judgement. However, the standard outlines the instances when auditors shall identify significant risks:

- i. If there is a risk which may lead to fraud;
- ii. Motivation to misstate results;
- iii. Relation to recent significant economic, accounting or other developments;
- iv. Non-routine or unusual transactions outside the normal course, or operations with a significant human error factor;
- v. Transactions involving related parties;
- vi. Complex transactions;
- vii. Significant estimations with a high degree of subjectivity;
- viii. Audit adjustments or differences in the prior year's audit; and
- ix. The risk also affects compliance with laws and regulations.

(b) Remember to exclude the effects of any controls when deciding on the significance of a risk.

v. Material Misstatements

(a) It is important to understand the concept of material misstatement and how it relates to risks. By the end of the audit, the auditor shall be reasonably sure

that all material misstatements have either been identified and corrected by management's controls, or picked up and reported during the audit.

- (b) High inherent or significant risk does not mean that there the specific component will have a material misstatement. Assessing risks is the first step to identifying the areas where the auditor needs to look and do further audit work to ensure that material misstatements – shall there be any – are identified.
- (c) Material misstatements normally happen when there is a high level of inherent risk without working management controls.

vi. Key Audit Matters

Key audit matters are those matters that, according to professional judgement, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance. Key audit matters are identified at every stage of executing the audit, hence it is a process rather than an event that is only considered at the reporting stage.

(b) STEP 2: ASSESS RISKS AT A FINANCIAL STATEMENT LEVEL

- i. Risks of material misstatement at the financial statement level are risks that relate pervasively to the financial statements as a whole and potentially affect many assertions. Examples of such risks may be the lack of risk assessment by management, management override of controls, management's general lack of competence, management's integrity or the reliability of the entity's records. Although identifying risks is important, the auditor shall not be expected to have a long list of risks at the financial statement level. Many entities may not have any risks at the financial statement level.
 - ii. The first question the auditor shall ask if whether he/she found a pervasive risk at a financial statement level. If yes, it is important to consider this high-level risk carefully and understand what impact it may have and what areas it may affect. For these risks further audit work needs to be done to gain appropriate understanding.
 - iii. When pervasive risks are identified, they shall be documented in working paper RA 1, Risk assessment at a financial statement level. When there is no overall risk that can be pinpointed, this fact shall also be documented in the working paper.
 - iv. It is important that the auditor shall only document pervasive risks in RA1 and not all the high-level risks identified in the working paper Understanding the entity.
 - v. How Do We Identify Risks at a Financial Statement Level?
- (a) As pointed out earlier risks are identified during the phase of the audit Understanding the entity. In addition, for continuing engagements it is recommended that an initial high-level risk assessment shall be undertaken by the audit director together with the team leader. This assessment is based on professional judgement and experience, and is not intended to capture all possible risks, but to capture the most (maximum 5)

important risks of material misstatement.

(b) Questions at this point may include:

- i. What are the main areas where misstatements could occur for this entity?
 - ii. Are there any known cases of internal control breaches?
 - iii. Are there any risks of irregularities?
 - iv. Are there any risks related to transactions with related parties?
 - vi. Evaluate the Risk of Material Misstatement at a Financial Statement Level
- (a) The auditor shall evaluate risks and decide whether the overall level of risk or the risk of material misstatement (RMM) is high, medium or low. This is based on professional judgement and also considering the type of risks that were identified.
 - (b) The risk of material misstatement is used to calculate performance materiality. This means that if the RMM is low, fewer items will be tested, as there is a perception that the internal controls will prevent or detect any errors.

(c) STEP 3: ASSESS RISKS FOR ASSERTIONS AND AUDITED COMPONENTS

- vii. Compile a Risk Register
- (a) The RA 2 working paper is completed once for the entire audit. For all audit components identified in the lead schedule (Step 8. Understanding the business working paper), the auditor shall identify relevant inherent risks. Inherent risks for all audit components are documented in working paper RA 2, Risk register.
 - (b) There is only one risk register for the audit listing all audit components with related inherent risks. The inherent risks also include those that were identified during the understanding of the entity.

Once the inherent risks have been identified the auditor shall link them to the most appropriate assertion. Assertions are listed in the working paper. Any additional assertion shall be added to this working paper before the audit starts.

The auditor also shall identify risks that are deemed to be significant based on the criteria listed in the working paper.

Final control reliance and substantive tests are included here to give anyone reviewing the audit a clear picture of the audit approach. This also means that this working paper is only finalised once the audit approach has been clearly formulated.

(d) STEP 4: CONCLUDE ON THE AUDIT STRATEGY

- i. Discuss Risks Among the Engagement Team
- (a) The audit team shall discuss the overall objectives of the audit and the susceptibility of the entity's financial statements to fraud and material misstatements.

- (b) The objective of discussing risks at this point is for the auditors to gain better understanding of the potential for material misstatements, especially within the areas of audit they are involved in, and to provide additional knowledge from the team to the risk assessment process.
- (c) It also allows more experienced members of the team to share significant aspects regarding COMESA.
- (d) When it is not practical to include all audit members in the discussion, the audit director shall decide who will participate and determine what must be communicated to engagement team members not involved in the discussion.
- (e) The discussions shall be driven by the audit director and all resolutions shall be documented in working paper RA 4, Team discussion.
- ii. Document the Overall Audit Strategy
 - (a) The overall audit strategy is based on the main risks identified at a financial statement level and for audit components important enough to have been identified as main risk areas. The overall audit strategy also includes a short description of audit responses to these risks. This may be a very short document summing up the main issues from the risk assessment procedure.
 - (b) Additional information, such as a list of audited components, may be included as per COBEA requirement. This is documented in working paper RA 5, Overall audit strategy.
- (c) STEP 5: ADDRESS RISKS AT THE FINANCIAL STATEMENT LEVEL
 - i. Risk at the financial statement level needs specific considerations by the auditor and cannot be handled by a specific audit procedure. Instead, these risks might in several cases affect all the accounts, due to their nature (as explained in step 1).
 - ii. To address these risks the auditor could consider the following activities:
 - (a) Ensure that the team has more skilled and competent resources;
 - (b) Ensure that the audit director is present when the audit work for this step is performed and pay more attention to the review of audit papers and documentation;
 - (c) Adjust the timing of the audit and plan for more unannounced visits;
 - (d) Use sceptical thinking more "extensively", especially when evaluating audit evidence;
 - (e) In cases where the risk is referred to as risk of manipulation of the financial statements, the auditor shall consider more extensive tests (tests of details);
 - (f) In cases where risk of fraud has been identified, the team shall consider having more discussions and follow-up meetings to ensure that everybody is focused and looks for relevant audit evidence;

- (g) Consider using external confirmations more extensively when possible;
- (h) More in-depth analytical reviews by the end of the year; and
- (i) Consider using own experts in more complicated areas instead of relying on management experts or internal audit.

Risk at financial statement level may be related to fraud, deficiencies in the internal control environment, or may be more general in nature. Further guidance on specific risk may be found in the working paper RA 1, *Risk assessment at a financial statement level*.

(d) STEP 6: ADDRESS RISKS FOR COMPONENTS

i. Risk Response for Components

- (a) The RA 2 working paper is completed for each material audit component. Firstly, the auditor needs to consider whether it is necessary to break up the audit component into sub-components. If there is a need, document sub-components here. For example, salaries may be broken down to overtime and leave paid.
- (b) The key to understanding processes and controls addressing risks is to perform walkthroughs at the COMESA or its organs in the form of observing such processes, inspecting documents or enquiring from employees. Inherent risks have already been identified in the risk register. Now the auditor shall put these risks into the process steps and link them to the relevant internal controls of COMESA. The process steps and internal controls are identified by performing walkthroughs.

ii. What are Walkthroughs?

A walkthrough is performed by taking a specific transaction through the processes from beginning to end. For example, by selecting a payment made the auditor can trace the order form, payment voucher, goods receipt notes, inventory schedules etc. The auditor can identify what controls are in place to ensure that only valid transactions are processed by COMESA and its organs. The specific transaction selected need to be documented in the working paper.

iii. Performing the Walkthrough

The walkthrough is aimed at answering the question: has COMESA implemented measures, i.e. internal controls, to address the risk?

From the walkthrough the auditor shall identify relevant processes and internal controls addressing the risks from the risk register. Document the internal controls identified in the *Internal controls* column in the row of the related process and inherent risk. The process steps applicable to the component and the internal controls are identified by interviewing the staff of COMESA and tracing one or more sample transaction(s) through the process steps. Keep in mind that a single transaction may not go through all the internal controls that may be implemented by COMESA for the risk. In this case the auditor may have to pick more than one or perhaps even three different items to understand all the processes and the working of internal controls. The auditor shall document the items that were used for the

walkthrough below the system description table.

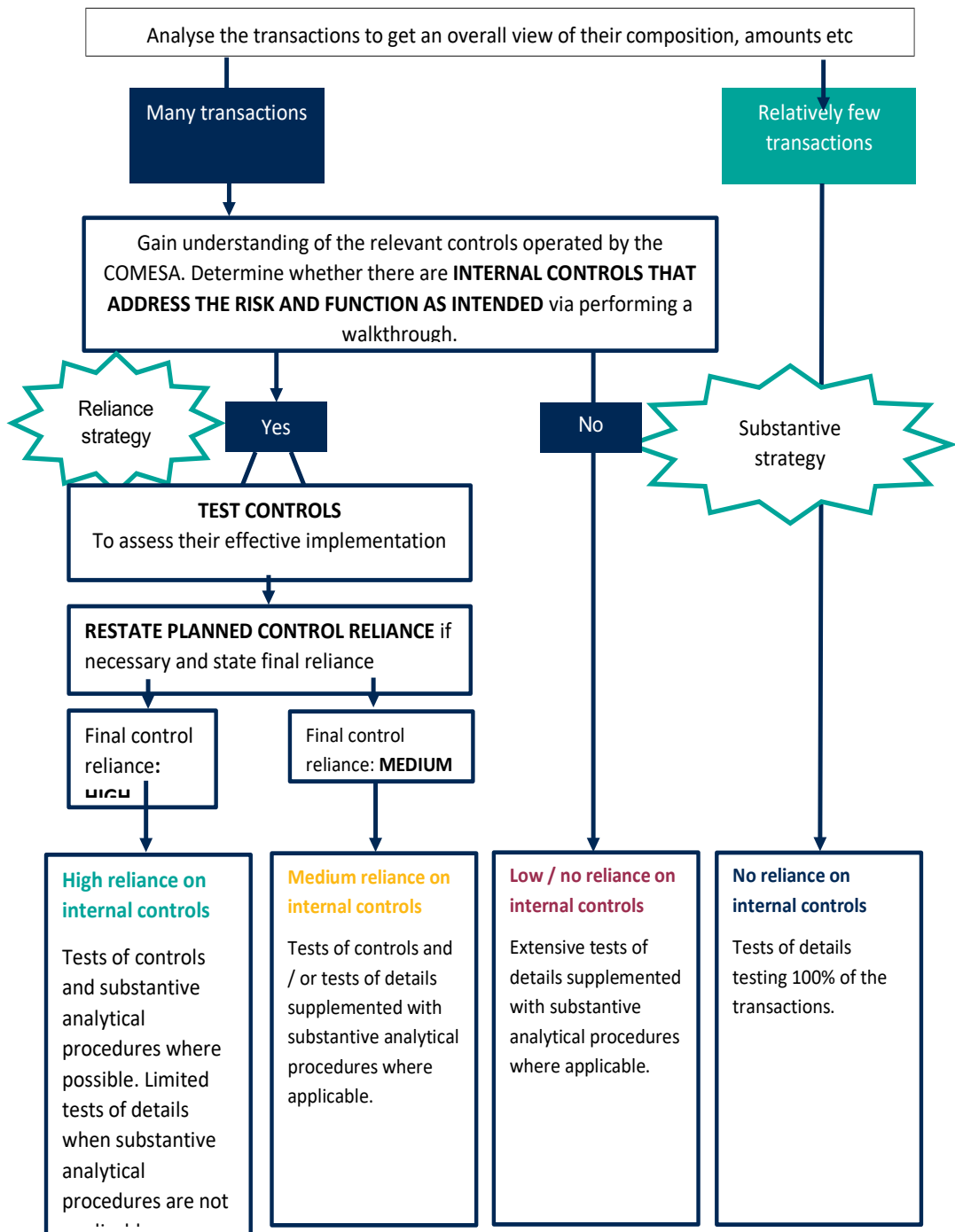
iv. Identify Internal Controls

During the walkthrough the auditor identify internal controls that address the relevant risks. Include the controls next to the relevant risks.

(e) STEP 7: ESTABLISH CONTROL RELIANCE

i. Can the Auditor Place Reliance on Internal Controls?

- (a) After the internal controls for risks have been identified, the auditor shall include whether control reliance or a substantive approach will be followed for each assertion relevant to the component. A control reliance approach is only considered if the auditor has noted working internal controls implemented by COMESA (authorisation requirements, independent checks, reconciliations etc.).
- (b) For those components where a control reliance approach is selected, the auditor shall include the tests of control procedures and conclude on the final reliance in the system description after the tests have been completed.
- (c) After the final control reliance has been decided and tests of controls have been performed, the auditor shall go back to the risk register and update it with the selected audit approach.



The auditor decision whether to rely on the controls and the extent of reliance shall be supported by an understanding of the internal controls and a walkthrough.

Document the Planned Reliance on Controls

Do the auditor rely on controls?	Level of reliance	What does it mean?
Yes	High reliance	High reliance indicates that the entity has implemented controls that lower the risks identified by the auditor.
Yes	Medium reliance	Medium reliance indicates that the entity has to some extent implemented controls to limit the risks identified by the auditor. The level of risk is then considered to be medium.
No	No / low reliance	<p>No / low reliance indicates that the entity has not implemented relevant controls to limit the risks identified by the auditor. The level of risk is then considered to be high.</p> <p>In most cases, significant risk will be related to low reliance on internal controls due to the specific character of the risk.</p>

When a control reliance approach is successfully followed, the auditor shall be able to reduce the extent of substantive tests.

ii. When Would the Auditor Decide to use the Substantive Strategy?

(a) Here are two situations:

- i. After the auditor preliminary analysis of internal controls, the auditor determines that the control itself is either not in place or it is ineffective. For example, regarding cash disbursements, perhaps COMESA’s cheque-signing policy isn’t stringent enough (in most cases two or more signatures are required on cheques over a certain amount), or perhaps blank company cheques aren’t kept under lock and key.
- ii. After a preliminary analysis of the transactions the auditor identify that the population consists of a limited number of transactions. In this case testing the control would be inefficient.

(b) Tests of controls are audit procedures designed to evaluate the operating effectiveness of controls in preventing or detecting or correcting the material misstatement at assertion level.

iii. When Can Tests of Controls be Used?

Tests of controls shall only be used when:

- (a) The auditor has concluded that internal controls can be relied upon. The auditor may choose to rely on controls when these adequately address the risk and they are implemented by COMESA (based on the walkthrough). The auditor may identify a high

or medium reliance on internal controls as appropriate. (Input from the auditor risk assessment for the Assertions working paper.)

- (b) Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level, for example when there are many transactions (although the internal control system has to be reliable).

iv. Considerations When Planning Tests of Controls

- (a) If the auditor use tests of controls as an audit procedure, the auditor shall get audit evidence on how well the internal controls have been implemented at COMESA. It is not enough to gather evidence through interviews, process mapping and the walkthroughs. The auditor shall understand:
 - v. Whether the controls were applied consistently during the entire period under audit; and
 - vi. By whom or by what means they were applied but also whether the person performing the controls has understood the purpose of the controls performed.
- (a) Tests of controls are different from substantive tests of details, as the auditor would normally inspect evidence that someone at COMESA or its organs has performed checks, verified details and authorised transactions and reconciliations etc. However, sometimes a test of control might be similar to a test of detail when it comes to the actual performance. This is the case, for example, when the auditor tests the effectiveness of the control, meaning that the auditor will also have to double-check that the asset isn't wrongly classified. This test of effectiveness does not need to be performed on all tested controls. The auditor shall apply professional judgement to decide when and how many.
- (b) The auditor shall keep in mind that the tested controls may depend upon other, indirect controls and, if so, whether it is necessary to obtain audit evidence supporting the effective operation of those indirect controls. Indirect control may be related to the functioning general controls in an IT system.

vii. Relying on the Work Performed During Previous Audits

- (a) The auditor may rely on results or evidence obtained from tests of controls performed during previous years' audits. If this is the approach taken, the auditor shall establish that no significant changes happened to those controls subsequent to the previous audit. This is done through a walkthrough documented in the working paper Risk assessment for assertions.
- (b) The following shall be considered when deciding whether reliance can be placed on controls based on tests of controls performed in the previous year:
 - i. Control reliance is most relevant when the auditor places high reliance on

internal controls and the controls implemented still address the identified risk;

- ii. The other elements of internal control confirm reliance on controls, for example the control environment, the entity's monitoring of controls, and the entity's risk assessment process;
- iii. Automated controls are considered to be more constant in their application;
- iv. The effectiveness of general IT-controls: does the auditor have indications that there have been changes? If so, the auditor shall evaluate those and conclude if they affect the auditor capability to rely on the audit evidence from last year;
- v. The effectiveness of the control and its application by the entity, including the nature and extent of deviations in the application of the control noted in previous audits, and whether there have been personnel changes that significantly affect the application of the control;
- vi. Whether the lack of a change in a particular control poses a risk due to changing circumstances; and
- vii. The risks of material misstatement and the extent of reliance on the control.

(c) Even if evidence is used from the prior year's work the auditor shall still document the conclusions reached about relying on such controls that were tested in a previous audit.

(d) If there have not been such changes to the controls, the auditor shall still test the controls at least once every third audit. Tests of controls in this way shall be spread over a 3-year period so that some controls are tested during each audit.

(e) When the auditor plans to rely on internal controls for a significant risk, the auditor shall test such controls during the current year and shall not rely on work performed in previous years. Significant risks are very specific and often relate to fraud, related party transactions etc., so in many cases it is not possible to find reliable controls; however, in cases where the entity has estimates in the financial statements they might use an automated system for calculations where the auditor might have identified internal controls to rely on.

(f) STEP 8: RESTATE CONTROL RELIANCE

- i. Restating reliance on the controls may be necessary when planned high or medium reliance is no longer appropriate. In such cases, the auditor shall restate reliance to no / low reliance and perform more extensive substantive testing.
- ii. The auditor might have to restate control reliance. It may be that the auditor initially planned to place reliance on the controls but during tests of controls the auditor find that the controls are not working as anticipated. Alternatively,

during substantive testing, the auditor detects misstatements in amounts or of a frequency greater than is consistent with the auditor previous risk assessments. In both cases, the auditor would revise control reliance to a lower level and perform more extensive substantive tests.

- iii. It may also be that the auditor placed reliance on internal controls and the controls were tested satisfactorily. During substantive testing, however, the auditor detects misstatements that are not consistent with an internal control system that is working well. In such a case, the auditor shall revise the high control reliance to low or no reliance and perform more extensive substantive tests. Further guidance is provided in the chapter Performing the audit and evaluation of misstatements.

(g) STEP 9: DESIGN SUBSTANTIVE PROCEDURES

- i. Irrespective of whether control reliance is planned the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure.
- ii. The auditor could either choose tests of details or analytical substantive procedures. Which procedure the auditor chooses to perform depends on the characteristics of the transactions.
- iii. Substantive Analytical Procedures

(a) What are Substantive Analytical Procedures?

- i. Substantive analytical procedures are applied when the auditor can develop an expected value for the audited accounts / balances / transactions, using information about the entity, e.g. the expected salary figure by using average salary for different sectors or average interest rate paid compared to bank interest rates. The expected value shall be compared to the actual amounts in the financial statements. The variance shall be lower than the accepted amount for the procedure to provide audit evidence.
- ii. The auditor shall conclude that reliable data is available and that it is possible to calculate precise expected values. These conclusions will be based on the information from the phase risk assessment / evaluation of internal control.
- iii. When can substantive analytical procedures be used?
- iv. This audit procedure is complicated and shall only be used when:
 - (a) The auditor is familiar with the data and the accounts but also with all the factors / indicators that will affect the outcome of the account, for example payrolls.
 - (b) The level of precision to predict an outcome must be high.
- v. This procedure might be most effective for the accounts where the auditor

knows all the indicators, such as payroll where the auditor knows the salaries and number of employees. If not, this procedure might not be efficient enough as it requires a high level of audit evidence.

- vi. If the auditor audits a significant risk area, the auditor is not able to choose substantive analytical procedures as the only audit procedure. In these cases, the auditor shall combine it with tests of controls or tests of details.

(b) SUBSTANTIVE TESTS OF DETAILS

What are Tests of Details?

- i. Tests of details could be:
 - (a) Selecting samples for verification or inspection. The auditor shall identify transactions and invoices to verify whether they are correctly stated in relation to the identified assertions;
 - (b) External confirmations, confirming balances with outside parties; and
 - (c) Recalculation of estimates or other relevant calculations.
- ii. External confirmations are an efficient method of collecting audit evidence and can provide very reliable audit results. They can be used to obtain evidence about:
 - (a) The presence or absence in agreements or arrangements with third parties of legislated or other terms and conditions such as guarantees of performance or funding;
 - (b) The commitment of expenditures that have not yet been authorised by the legislature;
 - (c) The continued eligibility of individuals in receipt of pensions, income assistance, annuities or other ongoing payments; or
 - (d) The presence of side deals with suppliers for the return of goods for credit to use funding that would otherwise have lapsed in a subsequent fiscal period.
- iii. However, the auditor shall keep in mind the objectivity and independence of the third party and considering the relationship between COMESA and the third party.
- iv. An overriding requirement when selecting items for testing is that the auditor must ensure that the population and its underlying information is sufficiently complete and accurate for obtaining reliable audit evidence. The auditor shall ensure that the source from which the items are to be selected is a complete and accurate record of the total population to be tested. The auditor must have a thorough understanding of the population to be tested (the nature of the

population and the characteristics of its items).

- v. In the case of tests of details, the auditor may perform data analytics or population profiling to obtain a deeper understanding of the composition of a total or balance, and its characteristics in terms of the types of transactions / items, their source / origin, volume, timing of occurrence, parties involved, segment characteristics (either business or geographic), etc.
- vi. If the auditor were to conclude that the available information is not sufficiently complete and accurate to the extent that the planned procedures cannot reasonably be performed, consider performing alternative procedures. If alternative procedures are also not possible, the situation represents a limitation on the scope of the work.

(c) How to Design an Audit Procedure?

- i. The auditor shall consider the character of the assertion, as some audit procedures might be more proper for some assertions and less relevant for other.
- ii. If the auditor risk relates to the assertion completeness, the auditor shall know that this risk usually requires that the auditor has a good picture of the internal controls relating to the entire process, from the time the transaction is initiated, received and then accounted for. This means that it would often be required to do some tests of controls (especially when it refers to large transaction volumes) or a more extended walkthrough. In those cases where the auditor chooses tests of details as audit procedure instead of tests of controls, the auditor shall be careful when defining the population and remember that it will probably be more than the transactions accounted for on the specific account, as there might be a risk that the transaction is not accounted for at all or accounted on other accounts.
- iii. When the auditor risk only relates to the assertions, existence or occurrence, tests of details might be more relevant than tests of controls. This is partially also relevant for valuation, if the valuation is done manually and not by automatic calculations that are controlled through comprehensive IT systems. The auditor shall in these cases also consider obtaining external confirmation in cases where it is deemed to be relevant, for example when dealing with shares, property, bad debts, national debt etc.
- iv. When the risk addresses cut-offs, it is difficult to identify the most relevant audit procedure, as it will depend on the amount of transactions. One option is to use the CAAT techniques (to be introduced) to analyse and identify transactions that occurred after the closing date, especially when it involves large transactions. When there are only a few transactions, the auditor would probably look at all of them, i.e. 100% test of details.

(d) RESPONSES FOR SIGNIFICANT RISKS

Significant Risks

- i. For significant risk areas with no / low reliance on controls the auditor shall include tests of details as substantive procedures. The auditor needs to have a proper understanding of the internal controls related to the risk, not meaning that the auditor needs to test the controls.
- ii. Significant risks require much more in-depth audit work (extent) and can be complex. The auditor shall consider using an expert if the audited area is complex such as legal issues, tax etc. For certain risks, the auditor may find that performing substantive procedures alone will not reduce the risks of material misstatement at the assertion level to an acceptably low level. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.
- iii. As external confirmations received directly by the auditor represent more reliable evidence, it is appropriate to respond to significant risks.

(h) STEP 10: ADDRESS RISK AREAS THAT NEED SPECIFIC CONSIDERATION

- i. The Audit Areas that Need Specific Considerations
 - (a) In this section, the auditor shall find guidance on the appropriate audit procedures (responses) when the auditor finds risk of material misstatement relating to estimates, fraud, going concern, inventory, segment information, related parties, claims and litigations and service organisations.
 - (b) Audit procedures to obtain relevant audit evidence for these areas are discussed below.
- ii. Accounting Estimates
 - (a) If the auditor risk relates to estimates, the auditor shall consider:
 - i. How management has chosen the method / technique used;
 - ii. Whether this technique is common within the business;
 - iii. How management has considered alternative assumptions or scenarios and why these have not been used;
 - iv. How management has dealt with uncertainty in the estimates and whether they

are disclosing the level of uncertainty in the financial statements;

- v. If the assumptions management has used are relevant; and
 - vi. The purpose of the estimates and whether management has the relevant capacity.
- (b) If the auditor concludes that management has not dealt with uncertainty in an adequate way, the auditor shall perform additional audit procedures.
- (c) As these areas are often complicated, the auditor may consider using an expert to get a second opinion. If management has used their own experts, it is recommended that the auditor also has a discussion with them.

For more information refer to ISSAI 1540.

iii. Response to Fraud

- (a) Risk of fraud is often categorised as significant risk area. The auditor shall not only respond to any identified risk related to fraud, but he/she shall also perform specific mandatory audit procedures, as there is always a risk that management overrides the controls.
- (b) The risk of fraud can be at both the financial statement level and the assertion level. When the risk of fraud is related to the assertion level, the auditor shall consider the following when designing the auditor audit procedures:
- i. More sceptical behaviour towards audit evidence;
 - ii. If fraud is related to management override, the auditor shall place no reliance on internal controls for the relevant component;
 - iii. Plan for unexpected audit visits when performing audit procedures such as tests of details;
 - iv. Interview employees related to the transactions where risk of fraud has been identified;
 - v. If the auditor is dealing with a large population of transactions, use CAATs to analyse and identify any transactions that might be odd, for example large amounts, same amounts that appear repetitively, "too even" amounts, extremely small amounts that appear repetitively etc.;
 - vi. Consider using external confirmations, for example when the risk relates to payables / debts or bank;
 - vii. Use an expert in complicated areas;
 - vii. If risk refers to risk of fraudulent behaviour related to cash, the auditor shall make sure to count the cash / bank deposits more regularly; and
 - viii. If risk refers to property being misused, then the auditor shall consider participating in inventory missions.
- (c) As there is always a risk that management overrides the controls (risk related to fraud) the auditor has to perform specific mandatory procedures to respond to this risk:
- i. Test the appropriateness of material journal entries recorded in the general ledger especially around the financial year-end and make inquiries about any

unusual or inappropriate activity relating to the processing of journals. Examples of such transactions may relate to real-estate purchases or sales etc. Consider whether there is a need to further test journal entries and other adjustments;

- ii. If the financial statements include accounting estimates, the auditor shall review those and look for biases in management's judgement and decisions made that could result in material misstatement due to fraud; and
- iii. Evaluate business rationale for significant transactions that are outside the normal course of business or otherwise unusual transactions, if the auditor has identified any of those.

For more information refer to ISSAI 1240.

iv. Related Parties

- (a) A risk referring to related party transactions can often be classified as a significant risk, especially those identified outside the entity's normal course of business. In the auditor risk assessment, the auditor has identified any significant transactions outside the normal course of operations and evaluated whether they are inside the normal course of operations by inquiries to management, and reading and analysing contracts related to the transactions.
- (b) If the auditor identifies transactions for related parties during the audit, he/she shall obtain audit evidence that these transactions are also inside the normal course of operations and he/she shall follow the same procedures as which has been done in the auditor risk assessment.
- (c) The risk is not about the authorisation, but that the financial statements will not reflect the transactions, e.g. rent is not charged, machinery is used by different entities, staff members are given loans without accounting consequences. The financial statements will not reflect truly all the expenses etc. for the period.
- (d) Inspection of documents and substantive analytical review may assist in determining the extent of misstatement (e.g. rent not charged).
- (e) When there is no information to establish the extent of the possible misstatement, then the auditor may just have to report the facts.

For more information refer to ISSAI 1550.

v. GOING CONCERN

- (a) As part of the auditor risk assessment, the auditor has assessed the risk for going concern and evaluated management's assessment of the entity's ability to continue as a going concern.
- (b) The auditor shall gather sufficient appropriate audit evidence to confirm or dispel whether a material uncertainty exists through carrying out audit procedures considered necessary, including considering the effect of any plans of management

and other mitigating factors.

- (c) If the auditor has identified risk of material misstatement, he/she shall proceed with further audit procedures, such as:
 - i. Discuss with management plans for future actions and consider any additional information; and
 - ii. Obtain written representations from management regarding its plans for future action. However, management of the secretariat or other organs may not be fully knowledgeable regarding the future financing of the COMESA. The auditor may consider a direct confirmation from the department or executive responsible for providing financial backing or future funding to the entity.

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For more information refer to ISSAI 1570.

vi. INVENTORY

- (a) To obtain evidence regarding the existence of material inventory disclosed in the financial statements, the auditor shall attend the physical inventory count at the end of the financial year. This is to:
 - i. Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting;
 - ii. Observe the performance of management's counting procedures;
 - iii. Inspect the inventory and perform test counts; and
 - iv. Perform audit procedures on the entity's final inventory records to determine whether they accurately reflect actual inventory count results.
- (b) If the auditor cannot attend the inventory count he/she shall design and perform alternative audit procedures to obtain evidence regarding the existence and condition of inventory.
- (c) Additional procedures shall be performed when the physical inventory count is conducted at a date other than the date of the financial statements to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded.
- (d) When material inventory is under the custody and control of a third party the auditor shall request confirmation from the third party as to the quantities and condition of inventory and perform inspections.

For more information refer to ISSAI 1501.

vii. SEGMENT INFORMATION

- (a) When segment information is disclosed in the financial statements, the auditor shall ensure that segment information is disclosed in accordance with the applicable

financial reporting framework.

- (b) Examples may be reporting incomes and expenditures by fund, appropriation, programme or category which forms part of the normal audit. The auditor may be required to give an opinion on such information either as part of the overall audit opinion or separately.
- (c) Audit procedures to be performed:
- i. Gain understanding of the methods used by management in determining segment information;
 - ii. Evaluate whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework (such as elimination of inter-segment amounts, sales, transfers, charges etc.);
 - iii. Where appropriate, test the application of such methods; and
 - iv. Perform analytical procedures or other audit procedures appropriate in the circumstances.

For more information refer to ISSAI 1501.

viii. LITIGATIONS AND CLAIMS

- (a) When COMESA has existing litigations and claims, the auditor shall obtain evidence relating to the completeness of disclosed information. The auditor shall seek direct communication with the entity's legal counsel. If the legal counsel is external, the auditor can ask management to request the counsel to communicate directly with the auditor.
- (b) The following procedures are applicable:
- i. Obtain a letter from the entity's legal counsel on outstanding claims and litigations and the possible financial effects;
 - ii. Confirm that the liabilities are correct in the financial statements in line with the confirmation letter;
 - iii. As legal matters can be complicated the auditor shall consider using an expert or management's expert; and
 - iv. The auditor shall also evaluate the independence and objectivity of the legal counsel.
- (c) If management refuses to give the auditor the permission to communicate with the entity's legal counsel, this would be a scope limitation and shall ordinarily lead to a qualified opinion or a disclaimer of opinion. The impact on the auditor report would be considered in a similar manner as when the auditor is not able to obtain sufficient adequate audit evidence.

For more information refer to ISSAI 1501.

ix. SERVICE ORGANISATIONS

- (a) During the Understanding of the entity phase, the auditor may have found that COMESA or its organs have outsourced some functions to a third party. When the auditor has found that the function is relevant to financial processes, he/she shall obtain audit evidence regarding the internal controls in place to reduce the risk of material misstatements in the financial reporting.
- (b) The nature and extent of audit work to be performed depends on:
 - i. How significant these services are to the auditee; i.e. do they affect internal controls?
 - ii. The nature and materiality of the transactions processed, or accounts or financial reporting processes affected by the service organisation;
 - iii. The degree of interaction between the activities of the service organisation and those of the user entity; and
 - iv. The nature of the relationship between the user entity and the service organisation, including the relevant contractual terms for the activities undertaken by the service organisation.
- (c) Quite often the auditor shall find that the service organisation is a centralised government entity of one of the member states. If this is the case, this entity is most likely audited by one members SAIs of the COBEA. The auditor can ensure that relevant audit work on the internal controls is performed by having discussions and looking at audit reports of the service organisation.
- (d) When the service organisation is not audited by the COBEA, the auditor shall consult the Guidance on using the service organisation's auditor's report to identify suitable actions.
- (e) When the auditor is not able to obtain a sufficient understanding from the user entity, the following procedures may be performed:
 - i. Obtaining a report by the auditor of the service organisation conveying reasonable assurance on the controls of the service organisation, if available;
 - ii. Contacting the service organisation, through the management of COMESA, to obtain specific information;
 - iii. Visiting the service organisation and performing procedures that will provide the necessary information about the relevant controls at the service organisation; or
 - iv. Using another auditor to perform procedures that will provide the necessary

information about the relevant controls at the service organisation.

For more information refer to ISSAI 1402.

(i) STEP 11: DECIDE ON THE TIMING OF THE AUDIT PROCEDURES

i. Timing of the Tests of Controls

- (a) The auditor shall test and evaluate the operating effectiveness of controls throughout the financial year under audit.
- (b) Most of the tests of controls can be performed after year-end. The selection of controls to be tested, however, shall be spread out through the year. When controls have been tested during an interim period, the auditor shall obtain evidence regarding the functioning of the controls after the interim period.
- (c) In cases where the auditor have tested the necessary amount of controls covering the period of for example January – October or January – July, the auditor shall then before the year-end ensure that the controls have been in place up to the final completion of the financial statements. This can be done by:
 - i. Interviewing those responsible for the controls to verify that controls have been in place up to the final date; and
 - ii. Following up on documentation on the performed tests (overall level).
- (d) If during the auditor follow-up, the auditor identifies any changes in the process when it comes to practices, the functionality of the controls etc., he/she shall consider whether these changes might have an implication on the auditor risk assessment and conclusions on reliance on internal controls. If the changes affect the auditor conclusion on reliance, the auditor shall revise the risk assessment and if necessary, choose another audit procedure.
- (e) Some tests of controls can only be performed during the financial year or at specific times, for example an inventory count can only be attended on specific dates. Planning in this regard becomes important.

ii. Timing of Tests of Details

When substantive procedures are performed at an interim date, the auditor shall perform further substantive procedures or substantive procedures to cover the remaining period that provide a reasonable basis for extending the audit conclusions from the interim date to the period-end.

If the auditor has identified risk of fraud, he/she shall ensure that the auditor plan for unexpected fieldwork if possible and visit the entity for testing on a more regular basis.

iii. Note for Reviewer

By the act of signing off a work paper, as a reviewer, the auditor is attesting that he/she has

ensured the following:

- (a) All relevant information for the purposes of concluding on this stage of the audit process has been duly considered; and
- (b) The auditor agrees with the conclusions made on each working paper and all coaching notes have been addressed appropriately.

ARTICLE 27

CONCLUSION

- (a) Now the auditor has done the auditor detailed planning and it is time to move on to selecting the auditor samples and performing the audit procedures. The next phase also includes evaluation of the results of each audit procedure. If the auditor acquires additional information that he/she deems important to the audit, he/she must add it onto the relevant working paper and assess the impact of that information on the audit.
- (b) This manual ensures the compliance with ISSAIs on level 3 of the framework. Shall the auditor be required to comply with ISSAIs on level 4 of the framework, the auditor need to read the relevant standards on level 4 to ensure full compliance with all the requirements.

WORKING PAPERS TO COMPLETE

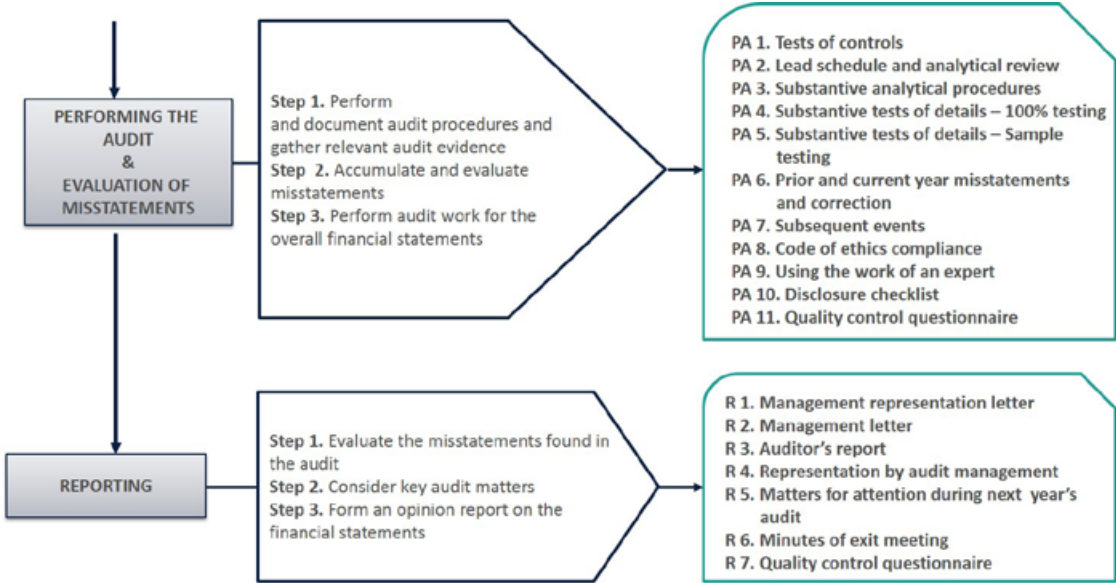
W/P ref	Working paper	Objectives of the working paper	Completed by	Reviewed by
RA 1	Risk assessment at a financial statement level	Document risks at a financial statement level, if any, and identify appropriate responses to address these risks.	Team Leader/ Senior Auditor	Overall Supervisor
RA 2	Risk register	Document the processes, risks and controls for audit components and assertions. Document the selected audit approach for the component.	Team Leader/ Senior Auditor	Overall Supervisor
RA 3	Risk assessment for components	Assess the risk of material misstatement for each component. Decide whether control reliance or substantive approach is the most appropriate. Formulate audit programmes.	Team Leader/ Senior Auditor	Overall Supervisor

RA 4	Team discussion document	Document the discussion by the audit team on the overall objectives of the audit and the susceptibility of the entity's financial statements to material misstatements.	Team Leader/ Senior Auditor	Overall Supervisor
RA 5	Overall audit strategy	Document the audit strategy based on the main risks identified for the audit, including those at a financial statement level and the responses identified for those risks.	Team Leader/ Senior Auditor	Overall Supervisor

CHAPTER 6

PERFORMING THE AUDIT & EVALUATION OF MISSTATEMENTS

Where are we in the process?



INTRODUCTION

In the previous chapter, COBEA obtained guidance on how to plan the audit to ensure that it is conducted in an effective and efficient manner. COBEA also obtained guidance on how to address the assessed risks of material misstatement in the financial statements, by choosing appropriate audit procedures. Now it is time to move on to selecting the auditor samples and performing the audit procedures. This phase also includes evaluation of the

results of each audit procedure.

APPLICABLE STANDARDS

On Level 3 of the ISSAI Framework

ISSAI 200 par. 102

ISSAI 200 par. 126

ISSAI 200 par. 134-138

ISSAI 200 par. 139-142

On Level 4 of the ISSAI Framework

ISSAI 1240

ISSAI 1250

ISSAI 1315

ISSAI 1330

ISSAI 1450

ISSAI 1500

ISSAI 1520

ISSAI 1530

ISSAI 1560

ISSAI 1580

ISSAI 1701

ARTICLE 28

OBJECTIVES

This chapter gives guidance to the auditor in meeting the following audit objectives:

- (a) Performing relevant procedures for each material class of transactions, account balance and disclosure, irrespective of the assessed risks of material misstatement;
- (b) Determining the extent of testing (sample sizes);
- (c) Documenting audit procedures in such a way as to obtain sufficient appropriate audit evidence and thus draw conclusions on which to base the auditor's opinion;
- (d) Keeping a full record of misstatements identified during the audit; and
- (e) Identifying key audit matters and concluding on whether sufficient audit work has been done for all components.

ARTICLE 29

AUDIT STEPS

- (a) Step 1. Perform and document audit procedures and gather relevant audit evidence
- (b) Step 2. Compile a full record of misstatements identified during the audit
- (c) Step 3. Perform audit work for the overall financial statements
- A. STEP 1. PERFORM AND DOCUMENT AUDIT PROCEDURES AND GATHER RELEVANT AUDIT EVIDENCE
 - i. Perform Tests of Controls

The following four steps are performed to complete the tests of controls (discussed separately hereunder):

- A. Step 1. Determine the sample size
- B. Step 2. Select the sample items
- C. Step 3. Perform the planned procedures on the selected items
- D. Step 4. Evaluate the sample results and conclude
- A. Step 1: Determine the Sample Size

If the auditor decides the testing of controls is a relevant audit procedure, he/she shall identify the sample size for the population, which is relevant to the audit programme. The table below gives the auditor guidance on how many controls needs to be tested.

Recommended Sample Sizes for Tests of Controls

Levels of reliance	No / low reli- ance	Medium reli- ance	High reliance
Yearly	0	1	1
Quarterly	0	2	3
Monthly	0	4	6
Weekly	0	10	15
Daily	0	15	25
Automatic system controls	0	1	1

- B. Step 2: Select the Sample Items

The purpose of sampling is to draw conclusions about the entire population. The auditor shall select a representative sample by choosing sample items that have characteristics typical of the population, and the sample needs to be selected so that bias is avoided. The following two methods may be used:

- i. Random Number Sampling

Random numbers may be generated by a computer (CAATs or Excel) or may be drawn from a random number table. The use of random numbers gives every sampling unit in the

population the same probability of being selected.

ii. Interval Sampling

Interval sampling is the selection of sampling units at uniform intervals throughout the population, beginning randomly. The sizes of the population and the sample determine the uniform interval. The number of items in the population is divided by the required sample size to determine the interval. For example, a population of 10 000 items divided by a required sample of 100 items would give a sampling interval of 100 (10 000/100). Interval sampling also gives every sampling unit the same probability of being selected.

C. Step 3: Perform the Planned Procedures on the Selected Items

The auditor shall test controls on each item selected. He/she shall document the work done in the working paper *Tests of controls*.

D. Step 4: Evaluate the Sample Results and Conclude

- i. When performing the planned procedures on the items selected for the sample, the auditor may identify control deviations. He/she may encounter a situation where the number of control deviations indicates that controls cannot be relied upon even before testing is completed. He/she shall then stop testing. It will only make sense to continue testing if there is a chance that a medium level of reliance is still possible, although a high level of assurance was originally planned for.
 - ii. After finalising the tests of controls, the auditor shall to investigate and understand the reasons for the deviations found. For example, consider whether the deviations are isolated human errors or are they likely to recur due to a systematic control failure. Isolated errors that are not likely to recur mean that the auditor may still place reliance on the controls. However, if the errors are more systematic, or are such that they may recur, it will be more likely that reliance on the operating effectiveness of the control(s) is affected.
 - iii. The auditor shall document the work done in the working paper *Tests of controls*.
 - iv. Decisions on Further Actions
- (a) Finally, the auditor decides what further action is required, based on the conclusion on the sample results. The different possibilities are discussed as follows:
 - (b) The auditor shall consider the following:
 - i. The auditor may conclude that the tests of controls that have been performed provide an appropriate basis for reliance on the controls (no deviations or deviations are trivial). In this case, he/she shall keep reliance at high and proceed with substantive testing.
 - ii. If the auditor initially planned to obtain a high level of assurance, but control deviations have been identified, the following options exist:
 - (a) The auditor may extend the sample size if he/she wishes to obtain a high level of

reliance, which could be possible if the sample size is increased and the auditor only have a reasonably few number of deviations (1 to 2);

- (b) Although the number of control deviations means that a high level of reliance cannot be obtained, it may still be possible for the auditor to obtain a medium level of assurance. The auditor needs to reduce the reliance from high to medium and proceed to substantive procedures;
 - (c) If there are more than 10% deviations in the population, the auditor must restate to no / low reliance, as the auditor cannot rely on the controls; therefore, the auditor needs to perform more extensive substantive procedures; or
 - (d) The auditor may decide that reliance on a different / alternative control could possibly provide the assurance that is being sought.
- iii. Control deviations identified would normally also represent deficiencies in internal controls, thus they shall be communicated to management and to those charged with governance.

(c) Performing Substantive Analytical Procedures

- i. This section of the guide only relates to the substantive analytical procedures when used to address risks identified in the audit plan. A substantive analytical procedure is different from the analytical procedures used in the planning phase and when concluding on the audit. The purpose of analytical procedures at the planning phase is to identify risk, whilst a substantive analytical procedure is designed to obtain audit evidence and provide assurance.
- ii. The auditor can use a substantive analytical procedure for a population where it is possible to develop an expected value for the recorded amount or ratio. To identify the misstatement, the auditor then compares the expected value to the actual.
- iii. The following three steps are performed in respect of the performance of substantive analytical procedures and to conclude on the population being tested (discussed separately hereunder):

- A. Step 1. Establish the expected value of the population being audited
- B. Step 2. Define the tolerable error margin
- C. Step 3. Compare results and conclude

A. Step 1: Establish the Expected Value of the Population Being Audited

The expected value will be calculated based on the dependent variables / indicators that affect the outcome (trends, context).

EXAMPLE 1:

In the event that the auditor audits the assertion occurrence for salaries, it will not be enough to compare the outcome of salaries with the auditor's knowledge about changes in the number of staff. The auditor shall be able to specify:

- Salary for various types of salary groups if available (level of salary range);
- Data on the anticipated salary per group; and
- How many people are in each category and how many are expected to leave or be recruited.

EXAMPLE 2:

Expected value for school fees can be calculated by multiplying number of students by annual fee charged per student.

The auditor shall use professional judgement to establish how detailed an analysis shall be.

B. Step 2: Define the Tolerable Error Margin (Deviation)

The deviation that can be accepted shall be less than 10% of the expected value. A higher deviation would not give sufficient assurance to reduce the sample size for a test of detail. The level of 10% is based on professional judgement and experience; it may be changed at COBEA level and not by individual auditors.

C. Step 3: Compare Results and Conclude

- i. The auditor shall compare the actual outcome in the financial statements with the expected value calculated as per step 1 above.
- ii. If the difference between the expected value and the actual value is less than the tolerable difference (10%) as calculated, this will give the auditor assurance towards the disclosed amounts / ratios.
- iii. In cases where the difference is above the tolerable difference of 10%, the auditor needs to take further actions, such as:
 - (a) Enquire from management, to explain the reason for the higher / lower outcome than predicted (for example, it could be that the staff turnover was higher than expected);
 - (b) Ask for documentation verifying the explanations. Note that higher risk requires more persuasive audit evidence; and
 - (c) Assess whether the audit evidence is relevant and reliable and in line with the auditor's knowledge of the business and the information that the auditor has.
- iv. If the auditor can verify and corroborate the explanation of the deviation, he/she can reduce the number of tests of details.
- v. When the auditor cannot accept the explanation of the deviation, he/she shall not rely on substantive analytical procedure and shall proceed to performing tests of details.

(d) Performing Substantive Tests of Details

- i. Tests of details are substantive procedures that are performed to detect material misstatements at the assertion level for individual financial statement items (classes of transactions, account balances or disclosures); i.e. to obtain audit evidence as to whether a financial statement item is free from material misstatement.
 - ii. Tests of details are planned as part of the overall mix of procedures to obtain sufficient appropriate audit evidence based on the reliance on internal controls – either a low / no; medium or high reliance level.
 - iii. The following four steps are performed in respect of the audit sample to complete the tests of details and to conclude on the *population for sampling* (discussed separately hereunder):
 - A. Step 1. Determine the sample size
 - B. Step 2. Select the sample items
 - C. Step 3. Perform the planned procedures on the selected items
 - D. Step 4. Evaluate the sample results and conclude
- A. Step 1: Determine the Sample Size

To select items for testing, the auditor shall consider what represents the population for testing in the circumstances. There are many ways of sampling; for the purposes of this manual we recommend that the auditor chooses one of the following three:

i. Selecting All Items

The auditor may decide that it will be most appropriate to examine the entire population of items that make up an account balance, class of transactions or disclosure (100% examination). This approach ensures that he/she obtains direct evidence in relation to the entire population under consideration; however, it may not always be practicable or efficient.

ii. Selecting Specific Items (Stratification)

The auditor may decide to select specific items (e.g. high-value and unusual items) from a population for testing based on the consideration of quantitative factors or qualitative factors or a combination of both attaching to those items. When selecting specific items, the auditor shall also select a small random sample from the remainder of the population, especially where there is a fraud risk. For example, if the specific items add up to 80% the auditor shall still choose some items from the remaining 20%.

iii. Selecting a Sample of Items

- (a) The auditor may decide to select a sample from the whole population. Depending on the auditor reliance on internal controls (after tests of controls) the auditor will choose the following reliance factors when calculating the auditor sample size:

RELIANCE ON INTERNAL CONTROLS	NO / LOW	MEDIUM	HIGH
Reliance factor used for sampling for tests of details	3.0	1.6	0.9
If substantive analytical procedures are successful reduce the reliance factor to calculate sample size for tests of details	-0.9	-0.9	-0.9
Reliance factor for tests of details if substantive analytical procedure is successful	2.1	0.7	0.0

- (b) For example, if the auditor performs tests of controls based on high control reliance and a substantive analytical procedure was successfully performed, the auditor doesn't have to carry on with tests of details.
- (c) To calculate the sample size for tests of details the following formula may be used:

$$\text{Sample size} = \text{Residual Population balance} \times \text{Reliance factor} / \text{Tolerable misstatement (performance materiality)}$$
- (d) The population balance audited is as per the financial statements. The reliance factor is identified after tests of controls and based on the table above. The tolerable misstatement is usually the performance materiality.

B. Step 2: Select the Sample Items

The purpose of sampling is to draw conclusions about the entire population. The auditor shall select a representative sample by choosing sample items that have characteristics typical of the population, and the sample needs to be selected so that bias is avoided. The following two methods may be used:

i. Random Number Sampling

Random numbers may be generated by a computer (CAATs or Excel) or may be drawn from a random number table. The use of random numbers gives every sampling unit in the population the same probability of being selected.

ii. Interval Sampling

Interval sampling is the selection of sampling units at uniform intervals throughout the population, beginning randomly. The sizes of the population and the sample determine the uniform interval. The number of items in the population is divided by the required sample size to determine the interval. For example, a population of 10 000 items divided by a required sample of 100 items would give a sampling interval of 100. Systematic sampling also gives every sampling unit the same probability of being selected.

C. Step 3: Perform the Planned Procedures on the Selected Items

The tests of details concerned must be capable of being performed on each item selected. Once a sample of items to be tested has been selected, the auditor shall test all of the sample items. It may happen that evidence is provided for some but not all items selected. The auditor shall test the whole sample and may not stop even if the misstatements already identified exceed materiality. The auditor can only be assured that the sample provides a

reasonable basis for concluding on the population when all the sample items have been tested (of replacement items, if appropriate). In addition, without testing all the items the auditor will not be able to make the requisite projection of the misstatement in the sample to the population. This is documented in the working paper *Tests of details*.

D. Step 4: Evaluate the Sample Results and Conclude

- i. When performing the planned procedures on the items selected for the sample, the auditor may identify misstatements. Errors and misstatements are measured in terms of the monetary value by which the sampled item is misstated. The misstatements are either due to lack of evidence (supporting documents) or actual errors. The auditor shall aggregate these two types of misstatements separately. For error, the auditor project them to the whole population, but when the auditor lack evidence the auditor shall not project.
- ii. The projected misstatement is calculated using the following formula:

Projected Misstatement = Total misstatement amount ÷ Total sample amount x Total population amount

N.B. *"Total misstatement amount" is the sum total of all the misstatements identified in the sample; overstatements and understatements netted off, but excluding any anomalous misstatements.*

- iii. Apart from quantifying the misstatement, the auditor shall be required to investigate the nature, cause and circumstances of the misstatements identified and evaluate their possible effect on the purpose of the audit procedure and on other areas of the audit.
- iv. If the projected misstatements for errors exceed the auditor performance materiality, the auditor shall restate the auditor reliance on internal controls to low / no reliance and recalculate the auditor sample size based on this restated reliance. If the auditor original reliance was already set at low / no, the auditor shall select and test an additional sample of the same size to ensure that the auditor projected errors are more reliable before concluding.
- v. When the auditor audit finding is that the auditor cannot obtain audit evidence, the sample size shall not be extended. It is also not possible to select replacement items. Once a sample of items to be tested has been selected and evidence is provided for some but not all items, the auditor is required to test the whole sample and may not stop even if the misstatements already identified exceed materiality. The auditor shall not conclude whether the sample provides a reasonable basis for concluding on the population that has been tested without performing the procedures on all the items selected in the sample.

B. STEP 2: ACCUMULATE AND EVALUATE MISSTATEMENTS

- i. The auditor shall accumulate all the auditor misstatements from all the audit work performed by the audit team. Draw a conclusion on whether all the planned audit work has been performed and whether there is anything else the auditor has to do before the auditor can close the audit and report.

- ii. The results of the procedures, including any misstatements identified with respect to particular financial statement items, have to be evaluated in order to conclude whether the financial statements as a whole are free from material misstatement.
- iii. To evaluate the misstatements that have been identified during the audit, the following shall be done:
 - (a) Obtain an understanding of the results of audit procedures performed on individual financial statement items;
 - (b) Accumulate the misstatements taking into consideration the correction of misstatements;
 - (c) Consider the effect of uncorrected misstatements from the prior period; and
 - (d) Determine whether uncorrected misstatements are material individually or in aggregate.
- (a) Obtain an Understanding of the Results of Audit Procedures Performed on Individual Financial Statement Items
 - i. Misstatements are measured in terms of the monetary value by which the affected financial statement item is misstated or are indicated by referring to the monetary value of an item(s) that could not be tested owing to a limitation on the scope of the audit. Misstatements can also refer to items other than monetary value errors, such as classifications, presentations and disclosures.
 - ii. Each identified misstatement is classified as a misstatement due either to a disagreement or a limitation. An inability to perform a specific procedure does not constitute a limitation if the auditor can obtain the audit evidence by performing alternative procedures. Therefore, the auditor attempt to resolve any limitation by performing alternative procedures to obtain sufficient appropriate evidence. Considerations of time and cost are not an excuse not to perform alternative procedures (the auditor must take care not to impose the auditor own limitations on the audit work).
 - iii. Once a misstatement has been identified (a disagreement misstatement or a limitation misstatement), the auditor investigates its nature, cause and circumstances (which may require additional or follow-up inquiries, inspections or observations). He/she shall understand the assertion(s) affected, why the misstatement occurred and how the misstatement occurred.
 - iv. The auditor's understanding of the nature, cause and circumstances of identified misstatements provides important input to the auditor's evaluation of whether the item being tested (or possibly other items) may be materially misstated, in that it provides a basis for the consideration of relevant qualitative factors in the circumstances (discussed in further detail hereunder).
- (b) Accumulate the Misstatements Taking into Consideration the Correction of Misstatements
 - i. The auditor shall accumulate misstatements identified during the audit.

- ii. The auditor as an auditor is concerned with whether particular classes of transactions, account balances or disclosures (at the level of the individual financial statement line items) are free from material misstatement. Therefore, as the audit progresses identified misstatements are *accumulated* in the working paper PA 5, *prior and current year misstatements and correction* – which is a specific schedule of misstatements for each particular financial statement item.
- (c) Consider the Effect of Uncorrected Misstatements from the Prior Period
- i. In addition to accumulating misstatements identified pertaining to the current period, the auditor shall consider the effect of uncorrected misstatements related to prior periods on the auditor's opinion of the current period.
 - ii. The auditor shall consider whether uncorrected misstatements from the prior period have an effect on the auditor's opinion of the current period by including all prior year misstatements in the working paper on *prior and current year misstatements and correction*.
 - iii. Uncorrected misstatements of the prior period shall be evaluated against current period materiality (i.e. relevant current period materiality figures and qualitative factors in relation to the effect(s) or possible effect(s) in the context of the financial statements of the current period).
 - iv. Misstatements from the prior period that have been corrected satisfactorily will be indicated as such. The status of uncorrected misstatements from the prior period will remain unchanged and these will be evaluated to determine whether they are material individually or in aggregate.
- (d) Determine Whether Uncorrected Misstatements are Material Individually or in Aggregate
- i. Prior to evaluating the effect of uncorrected misstatements, the auditor shall be required to reassess materiality to confirm whether it remains appropriate in the context of the entity's actual financial statements. This revision may be done because the auditor became aware of information during the audit that would have caused him/her to have determined a different amount initially.
 - ii. Taking into account any revision of materiality that may be required, the auditor shall use the following materiality figure(s) for purposes of evaluating the effect of uncorrected misstatements:
 - a) Overall materiality figure; and
 - b) If applicable, any specific materiality figure(s) that applies to the particular class of transactions, account balance or disclosure.
 - i. The auditor evaluation commences with evaluating each uncorrected misstatement individually in terms of its effect on the particular financial statement item (class of transactions, account balance or disclosure) concerned. Compare the quantum /

amount value of each uncorrected misstatement with the relevant materiality figure:

- (a) If a specific materiality figure has been determined for the particular financial statement item, that materiality figure (which will be an amount lower than the overall materiality figure) must be used. Otherwise, the overall materiality figure is used.
- (b) If the misstatement exceeds the relevant materiality figure (specific materiality or overall materiality, as applicable), the misstatement is quantitatively material and therefore material to the financial statements as a whole.
- (c) If the misstatement does not exceed the relevant materiality figure (specific materiality or overall materiality, as applicable), the misstatement is not quantitatively material, but the auditor continues to evaluate relevant qualitative factors to make a final determination whether the misstatement is material to the financial statements as a whole.

C. STEP 3: PERFORM AUDIT WORK FOR THE OVERALL FINANCIAL STATEMENTS

After concluding on the audit work for the different components, the auditor shall consider overall aspects and conclude on the audit as a whole.

ARTICLE 30

AUDIT STEPS

- A. Step 1. Confirm the team's independence
- B. Step 2. Consider subsequent events
- C. Step 3. Update the lead schedule and perform a final analytical review.

A. STEP 1: VERIFY THE TEAM'S INDEPENDENCE

Before starting the evaluation and reporting the auditor shall confirm that the team is still independent of the COMESA. This is documented in the working paper PA 8, *Code of ethics compliance*. This is important since things may have changed since the start of the audit and any independence issue has to be cleared. Some independence issues may be handled through counter-actions within the team.

B. STEP 2: CONSIDER SUBSEQUENT EVENTS

- i. The auditor shall obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require an adjustment to, or disclosure in, the financial statements have been identified. The auditor shall also respond appropriately to facts that became known after the date of the auditor's report and which, had they been known at that date, might have caused the auditor to amend the auditor's report.
- ii. Normally subsequent events are more relevant under accrual accounting. With cash-based accounting the auditor can more or less disregard subsequent

events.

iii. Consider if there are any Events Occurring Between the Date of the Financial Statements and the Date of the Auditor's Report

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- (a) The events the auditor shall focus on are those that would have had an effect on the financial statements if they had been known earlier. For entities with cash-based accounting it is very unlikely that there will be any such events. The longer the time that elapses between the date of the financial statements and the auditor's report, the higher the risk that such events would occur. Therefore, the auditor shall strive to minimise the time gap between the date of the financial statements and the date of the auditor's report.
- (b) The types of events that would ordinarily be identified are:
 - i. Events that provide evidence of conditions that existed at the date of the financial statements (e.g. a verdict in a legal procedure); and
 - ii. Events that provide evidence of conditions that arose after the date of the financial statements (e.g. value of assets or similar).
- (c) The auditor normally obtains audit evidence about such events through discussion with management and reading minutes of management meetings.
- (d) Note that if the entity has an obligation to include performance information in the financial statements, there could be events that affect this information too.
- iv. Consider if the Events Would Require an Adjustment to or Disclosure in the Financial Statements

If the event would require an adjustment to or disclosure in the financial statements, find out if the management of COMESA is willing to make an amendment. If so, ensure that the auditor's report refers to the amended financial statements. If not, consider if this shall influence the auditor opinion.

- v. Consider Events After the Date of the Auditor's Report that would have Caused Amendment if known at an Earlier Stage
 - (a) The auditor has no obligation to perform audit work after issuing the auditor's report, but if he/she gets information about events that occur after the date of the auditor's report but before the financial statements are published, he/she shall consider if there is a need to amend the financial statements or his/her report.
 - (b) If the auditor has identified any such events, he/she shall discuss with management how they intend to address the matter and consider the possibility of issuing a new auditor's report. But if he/she decides to do so, it is crucial to ensure that stakeholders can identify that there is a new auditor's report so that they do not rely on the old report. This is done partly by including an Emphasis of matters paragraph in the new auditor's report, referring to a note in the amended financial statements explaining the

reason for the amendment.

C. STEP 3: UPDATE THE LEAD SCHEDULE AND PERFORM ANALYTICAL REVIEWS

Update the lead schedule with any changes in the final financial statements. If there are any changes, re-perform the auditor analytical review on these components. Document the auditor work in the lead schedule: Step 8. *Understanding the entity*.

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D. STEP 4: CONCLUDE ON THE ADEQUACY OF AUDIT WORK PERFORMED

The final step is to draw a conclusion as to whether all the planned audit work has been performed and whether there is anything else the auditor has to do before he/she can close the audit and report.

Note for Reviewer

- (a) By the act of signing off a working paper, as a reviewer the auditor is attesting that he/she has ensured the following:
 - i. All relevant information for the purposes of concluding on this stage of the audit process has been duly considered;
 - ii. The auditor agrees with the conclusions made on each working paper; and
 - iii. All coaching notes have been addressed appropriately.
- (b) The auditor may also get audit evidence from external confirmations (although getting external confirmation can be defined as a substantive audit procedure). He/she can also use audit experts or management experts to get second opinions to support the auditor conclusions and if he/she has identified the need in the risk assessment the auditor need to ensure that he/she evaluates their independence, skills etc. by using the working paper Work of an expert (refer to the chapter on Understanding the business).

ARTICLE 31

CONCLUSION

- (a) Now the auditor has done the auditor field work and evaluation of audit misstatements and it is time to move on to the audit reporting. The next phase also includes evaluation of key audit matters and the results of other audit information. If the auditor acquires additional information that he/she deems important to the audit, he/she shall add it onto the relevant work paper and assess the impact of that information on the audit.
- (b) This manual ensures the compliance with ISSAI on level 3 of the framework. Shall the auditor be required to comply with ISSAI on level 4 of the framework, the auditor shall read the relevant standards on level 4 to ensure full compliance with all the requirements.

WORKING PAPERS TO COMPLETE

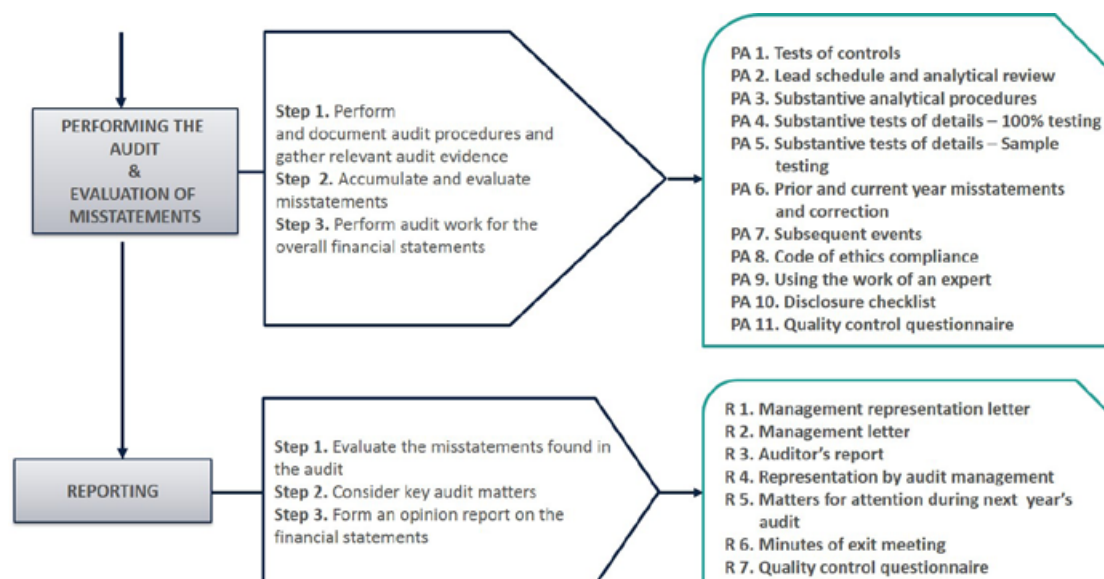
W / P ref	Working paper	Objectives of the working paper	Completed by	Reviewed by
PA 1	Tests of controls	Document the performance of tests of controls.	Auditor/ Team leader	Overall Supervisor
PA 2	Lead schedule and analytical review	Break down the audited component and identify any further focus areas relating to the component. Perform an analytical review of the final figures in the financial statements. The objective is to establish if there are any irregular differences that need more audit work.	Team leader/Senior Auditor (supervisor)	Overall Supervisor
PA 3	Substantive procedures – analytical tests	Document the performance of substantive analytical procedures.	Auditor/Team leader	Overall Supervisor
PA 4	Substantive procedures – detailed tests 100% testing	Document the performance of substantive procedures.	Auditor/Team leader	Overall Supervisor
PA 5	Substantive procedures – detailed tests Sample testing		Auditor/Team leader	Overall Supervisor
PA 6	Prior and current year misstatements and correction	Evaluation of the effect of prior year errors on the auditor’s report. Documentation of all quantifiable current year misstatements and errors and the evaluation of the effect of these errors on the auditor’s report.	Auditor/Team leader	Overall Supervisor
PA 7	Subsequent events	Identify any subsequent events that shall affect the financial statements.	Team leader/Senior Auditor	Overall Supervisor
PA 8	Code of ethics compliance	A follow-up that the team is still independent. To ensure that all team members sign the declaration	Team leader/ Senior Auditor (supervisor)	Overall Supervisor

PA 9	Using the work of an expert	To determine the extent of use of the work of an expert (if any).	Senior Auditor (supervisor) / team leader	Overall Supervisor
PA 10	Disclosure checklist	To ensure that the financial statements include all mandatory disclosures.	Auditor/ Team leader	Overall Supervisor

CHAPTER 7

REPORTING

Where are we in the Process?



APPLICABLE STANDARDS

On Level 3 of the ISSAI Framework

ISSAI 200 par. 143-146

ISSAI 200 par. 147-148

ISSAI 200 par. 149-151

ISSAI 200 par. 152-156

ISSAI 200 par. 157-161

ISSAI 200 par. 162-168

ISSAI 200 par. 169-170

On Level 4 of the ISSAI Framework

- ISSAI 1260
- ISSAI 1265
- ISSAI 1700
- ISSAI 1705
- ISSAI 1706
- ISSAI 1720

ARTICLE 32

OBJECTIVES

COBEA shall form an opinion based on an evaluation of the conclusions drawn from the audit evidence obtained, as to whether the financial statements as a whole have been prepared in accordance with the applicable financial reporting framework. The opinion shall be expressed clearly in a written report that also describes the basis for the opinion.

ARTICLE 33

AUDIT STEPS

- A. Step 1. Evaluate the misstatements
- B. Step 2. Consider key audit matters
- C. Step 3. Form an opinion report on the financial statements

A. STEP 1: EVALUATE THE MISSTATEMENTS FOUND IN THE AUDIT

The auditor shall keep a full record of misstatements identified during the audit, and communicate to management and those charged with governance, as appropriate and on a timely basis, all misstatements recorded during the audit.

i. Gather and Document all Misstatements

All misstatements identified during the audit, except those that are clearly trivial, shall be documented in the working paper on audit differences. The auditor shall invite the management of COMESA to correct the misstatements. If management is unwilling to do so, the auditor shall find out why. If management corrects the misstatements, the auditor shall perform additional audit procedures to ensure that the misstatement has in fact been corrected and add this to the information in the working paper. Management and those charged with governance shall be informed of the effect the misstatements, may have, individually or in aggregate, on the opinion in the auditor’s report.

ii. Evaluate the Misstatements

- (a) The auditor shall evaluate whether uncorrected misstatements are material, individually or in aggregate. When doing so the auditor use the set materiality from planning. However, the materiality is just a benchmark and misstatements below the set materiality may still be considered material, when using the auditor professional

judgement. At the same time misstatements above the set materiality may not be considered material.

- (b) The auditor may consider sorting the misstatements into three categories: material; not material but important; and trivial. Any compliance audit findings shall be separated from the financial audit findings. Material misstatements shall be carried forward to the next section, forming an opinion. Material and not material but important findings shall be communicated to the COMESA Secretariat.

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Further guidance on evaluating misstatements is included in ISSAI 1450.

iii. Decide on the Level and Timing of Communication

- (a) The auditor shall report the misstatements to the COMESA in good time. Reporting is normally done in a management letter to the secretariat, but the ISSAI s allow for verbal communication as an alternative. The auditor shall choose the alternative that is most efficient or, when there are set procedures in the office, follow these procedures. Describe the misstatements clearly, and when appropriate include recommendations. It is important to have a clear picture of the message to be conveyed to the management of COMESA so that it is understood. Try to give a clear, concise and to the point description of the misstatement occurred. Also try to find the cause of the misstatements. The reason for reporting in good time and during the course of the audit is to give the COMESA management a chance to correct the misstatements.
- (b) By reporting on deficiencies in the internal controls the auditor shall not only help the COMESA management to prevent or detect misstatements, but he/she shall also help to improve the public sector at large.

There is more guidance on communication with management and those charged with governance in ISSAI 1260 and 1265.

iv. Send the Draft Management Letter to the COMESA Secretariat to Verify the Facts

To verify that the auditor has not misunderstood anything it is important to give the management of COMESA the opportunity to verify the facts in the management letter before it is finalised. At the same time, the auditor may also ask for their comments on the recommendations.

v. Obtain a Written Representation

- (a) Finally, the auditor shall ask management of the COMESA or its organs for a written representation. The written representation is used as audit evidence for management's understanding of their role and responsibilities for the financial statements and implementing internal controls. It also includes assurance that management has provided the auditor with all relevant information and documentation and that they consider any uncorrected misstatements as not material. There is a template representation letter to use, but the auditor may add other aspects as necessary. The template could be sent to the Secretariat or management of its organs for management to sign and send back to the auditor before he/she can issue the

auditor's report. Normally the head of Finance and Administration is responsible for the representations. The fact that we want a representation letter shall be communicated and agreed in the engagement letter at the beginning of the audit.

- (b) The auditor shall ensure that the auditor get the management representation letter signed as soon as practically possible before the auditor sign the auditor's report. If management makes amendments to the representation letter or refuses to sign it, the auditor shall consider whether he/she can rely on other information obtained from management and also consider issuing a modified opinion.

There is more guidance on written representation in ISSAI 1580.

vi. Issue the Final Management Letter

After getting feedback and comments from the COMESA management the auditor can now finalise the management letter. Management letters shall be issued by the Director General. Prior to the issuance of the audit report a final management letter shall be issued to ensure that all findings from the audit are included in one management letter. This management letter shall be signed by the Director General, or a suitable delegated high-level official.

B. STEP 2: CONSIDER KEY AUDIT MATTERS

- i. Key audit matters (KAMs) are those matters that, according to professional judgement, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.
- ii. Key audit matters are areas that the auditor think have been important in the audit work the auditor have performed. It could be high-risk areas where the auditor have performed a lot of audit work, difficult areas where the auditor may have had difficulties obtaining audit evidence, or circumstances that occurred during the audit and which had a significant impact on the audit plan. Choose the most significant of these matters to describe as KAMs in the auditor's report.
- iii. Describe KAMs in the auditor's report under the heading Key audit matters. The description of each KAM shall include:
 - (a) An explanation of why the auditor have considered the matter to be one of most significance in the audit and its effect on the audit if the auditor considers it necessary; and
 - (b) A reference to any related disclosure(s) in the financial statements.

See also the template *Auditor's report*.

C. STEP 3: FORM AN OPINION AND REPORT ON THE FINANCIAL STATEMENTS

The auditor shall form an opinion based on an evaluation of the conclusions drawn from the audit evidence obtained, as to whether the financial statements as a whole have been prepared in accordance with the applicable financial reporting framework. The opinion shall

be expressed clearly in a written report that also describes the basis for the opinion.

- i. Form an Opinion Based on the Evaluation of the Conclusions Drawn from the Audit Evidence
 - (a) Based on the evaluation of findings against the set materiality, the auditor shall form an opinion on the complete set of financial statements. There are four different types of opinions:
 - i. Unqualified – where there are no material misstatements, individually or in aggregate.
 - ii. Qualified – where there is one or more material misstatements or possible material misstatement.
 - iii. Adverse – where the misstatements are pervasive and thus affect a large part or the whole of the financial statements.
 - iv. Disclaimer – where the auditor has not been able to obtain sufficient audit evidence but not due to the auditor or COBEA and the possible misstatement could be material and pervasive (e.g. a scope limitation by management).
 - (b) Pervasive effects on the financial statements are those that are not confined to specific elements, accounts or items in the financial statements. These misstatements represent a substantial part of the financial statements.

	Auditor's judgement about the pervasiveness of the effects or possible effects on the financial statements	
Nature of matter giving rise to the modification	Material, but not pervasiv	Material and pervasiv
Financial statements are materially misstated	<i>Qualified opinion</i>	<i>Adverse opinion</i>
Inability to obtain sufficient appropriate audit evidence (not due to the auditor)	<i>Qualified opinion</i>	<i>Disclaimer of opinion</i>

- (c) The opinion has a separate paragraph in the auditor's report and the title of the paragraph shall indicate what type of opinion is given.
- (d) An unqualified opinion shall read: "The financial statements give a true and fair view/present fairly, in all material respects, the financial position of [COMESA or the auditee] as at [date] and its financial performance and its cash flows for the year then ended in accordance with [the financial reporting framework]" for a fair presentation framework. For a compliance framework, the opinion shall read: "The financial statements are prepared, in all material respects, in accordance with [the financial reporting framework]".

- (e) A qualified opinion shall read: "Except for the effects of the matter/s described in the *Basis for qualified opinion* paragraph the financial statements (Same as for unqualified opinion)."
- (f) An adverse opinion shall read: "Because of the significance of the matter/s described in the *Basis for adverse opinion* paragraph "The financial statements do not give a true and fair view/does not present fairly, in all material respects, the financial position of [COMESA secretariat or the name of auditee] as at [date] and its financial performance and its cash flows for the year then ended in accordance with [the financial reporting framework]"
- (g) A disclaimer of opinion shall read: "Because of the significance of the matter/s described in the *Basis for disclaimer of opinion* paragraph, [the auditor] has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly [the auditor] does not express an opinion on the financial statements."
- (h) There is a template auditor's report for the auditor to use that will support the auditor in writing the auditor's report.

ii) Describe the Basis for the Opinion, if Qualified, Adverse or Disclaimer

The basis for the opinion explains the misstatement(s) found in the financial statements (or possible misstatements in areas where the auditor have not been able to obtain sufficient appropriate audit evidence). The auditor shall make the description as to the point as possible, explaining the misstatement and the effect on the financial statements. Try to avoid using technical language, keeping in mind that the users of the report are often not accountants.

Example 1.1 – qualified opinion:

The entity has not collected revenue regarding xx. I estimate that the uncollected revenue amounts to xx.

Example 1.2 – qualified opinion:

The financial statement includes assets that are no longer with the entity. The value of these assets is xx and the financial statements are misstated by this amount.

Example 2 – adverse opinion:

The entity's internal control system has not been effective and therefore there are many material errors in the financial statements.

Example 3 – disclaimer of opinion:

The management has not allowed access to a significant part of the books and relevant documentation to support the financial statements.

iii. Add any Emphasis of Matter Paragraphs or Other Matter Paragraphs

- (a) Emphasis of matter and Other Matter paragraphs shall be used sparingly to highlight

information that is important for the user's understanding of the financial statements and the audit thereof. Emphasis of matter paragraphs refer to a statement or information in the financial statements, e.g. information about a pending litigation with a possible big impact on the financial statements. Other matter paragraphs give the auditor an opportunity to communicate a matter that is not presented or disclosed in the financial statements and that the auditor think is relevant to the users' understanding of the audit, the auditor's responsibilities or the auditor's report.

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- b) When using Emphasis of Matter or Other Matter paragraphs, it is important to include that the auditor opinion is not modified in respect of the matter.
- iv. Handle any Supplementary Information Presented with or Together with the Financial Statements

If the financial statements contain any supplementary information or are issued together with supplementary information, the auditor shall either make sure it is clearly separated so that he/she can clearly define in the auditor's report which parts are included in the audit. If this is not possible, he/she shall read the information to ensure that it is consistent with the audited financial statements. If there are inconsistencies with the audited financial statements, the auditor shall conclude what needs to change and ask management to make the correction. He/she shall describe any uncorrected inconsistencies in the *Other Matters* paragraph.

NOTE FOR REVIEWER

As a reviewer, the auditor has the responsibility to agree and accept all draft reports before they are sent to the management of COMESA as a draft or a final version. The auditor also has the responsibility to explain the need for written representation to management of the COMESA.

ARTICLE 34

CONCLUSION

- (a) Now the audit work is complete and reported. All that remains to do is to finalise the documentation and draw conclusions on how to audit next year. The auditor shall consider and document what went well and what can be improved in the audit work next year as a basis for the planning of the audit next year.
- (b) This manual ensures the compliance with ISSAIs on level 3 of the framework. Where the auditor is required to comply with ISSAIs on level 4 of the framework, he/she shall read the relevant standards on level 4 to ensure full compliance with all the requirements.

WORKING PAPERS TO COMPLETE

W / P ref	Working paper	Objectives of the working paper	Completed by	Reviewed by
R 1	Management representation letter	To obtain some audit evidence as to whether management has understood its responsibilities for the financial statements and has provided all information to the auditors.	Teal Leader/ Senior Auditor (supervisor)	Deputy Auditor General
R 2	Management letter	The objective is to report all important findings to the COMESA management.	Teal Leader/ Senior Auditor (supervisor)	Deputy Auditor General
R 3	Auditor's report	The conclusion on the audit of the financial statements.	Team leader/ Senior Auditor (supervisor)	Deputy Auditor General
R 4	Representation by audit management	A final documentation of the review done of the audit.	Team leader/ All senior auditor	Deputy Auditor General
R 5	Matters for attention during next year's audit	Issues to bring forward to next year's audit. Both things that went well and things that can be improved shall be included.	Team leader/ All senior auditor	Deputy Auditor General
R 6	Minutes of exit meeting	Document the discussions and resolutions of the meeting between the audit team and the management of the COMESA.	Team leader /Senior Auditor (supervisor)	Overall Audit Supervisor

CHARTER OF THE COMESA WOMEN IN BUSINESS

PREAMBLE

The Common Market for Easter and Southern Africa (COMESA) Federation of National Associations of Women in Business (COMFWB);

AWARE that women constitute over half of the general workforce of the sub-region and being aware of the marginal attention that hitherto has been given to their role in trade and development in COMESA activities in the last decade;

CONVINCED that development programmes in the sub-region cannot have the desired impact without the full integration of women into those programmes through policy action, instruments and a framework, which involves women as active operators in all economic sectors;

COGNISANT of the constraints and impediments to the full participation and recognition of women as active operators in all fields of trade and development in the sub-region and of the problems hindering the development and expansion of enterprises owned by women;

CONVINCED that cooperation and partnership among women entrepreneurs will facilitate their access to capital and other resources and enable them to participate effectively in intra-COMESA trade and investment;

MINDFUL of the need for the creation of a sub-regional forum for dialogue and exchange of ideas and experience to facilitate a definition of common problems and solution;

RECALLING the decision of the Authority made on 31 January 1992 that a Federation of National Associations or Federations of Women in Business be established, pursuant to Article 155 of the COMESA Treaty, which would be the forum for the exchange of ideas and experience among women entrepreneurs; an instrument through which the appropriate portion of COMESA Women in Development Programme shall be implemented; a forum for network among women entrepreneurs and an instrument for encouraging women to set up entrepreneurs or expand existing enterprises;

DETERMINED to establish a Federation of National Associations or Federations of Women in Business:

HEREBY AGREE AS FOLLOWS:

ARTICLE 1

DEFINITIONS

In this Chapter, unless the context otherwise requires:

“Associate Member” means an organization of persons admitted to associate membership in accordance with provisions of paragraph 2 of Article 3 of this Charter;

“Board” means the Board of Directors of the Federation established by Article 13 of this Charter;

“Bureau” means the Chairperson, Vice Chairperson and the Executive Director Rapporteur of the General Assembly of the Federation;

“Charter” means the Charter Establishing the COMESA Federation of National Associations of Women in Business;

“COMFWB” means the Common Market for Eastern and Southern Africa (COMESA) Federation of National Associations of Women in Business;

“COMESA” means the Common Market for Eastern and Southern Africa established by Article 1 of the Treaty;

“COMESA Created Institutions” means institutions established by COMESA to facilitate the implementation of specific provisions of the Treaty;

“COMESA Gender & Social Affairs Division WID Unit” means the Division Unit set up in the COMESA Secretariat charged with the in charge of provision of leadership, direction and oversight towards the achievement of Gender Equality and Women Empowerment (GEWE), Youth Empowerment, and Social and Cultural Development in the Member States, gender and women in development activities of the Common Market for Eastern Southern African States;

“COMESA Secretariat” means the Secretariat of COMESA established by Article 17 of the COMESA Treaty;

“COBEA” means the COMESA Board of External Auditors;

“Executive Director” means the Chief Executive Officer of the Federation provided for in Article 17 of the Charter;

“Federation” means Federation of National Associations of Women in Business in the Common Market for Eastern and Southern Africa (COMESA) established by Article 2 of this Charter;

“General Assembly” means the Assembly of the Federation established by Article 7 of this Charter;

“Member States” means a Member State of COMESA;

“Member” means an organization admitted to membership in accordance with the provisions of paragraph 1 of Article 3 of this Charter;

“National Association” means an association or a federation designated as a Common Market for Eastern and Southern Africa (COMESA) Federation of National Associations of Women in Business Chapter composed of individual associations of women in business established for the common purpose of promoting entrepreneurial activities and interests of its members;

“Secretariat” means the Secretariat of the Federation established by Article 17 of this Charter;

“Secretary General” means the Secretary General of COMESA provided for in Article 17 of the COMESA Treaty;

“Sub-programmes” mean sub-programmes of COMESA WIB programme;

“Sub-region” means the whole area of the Common Market for Eastern and Southern African States, which compose COMESA;

"Treaty" means the Treaty for the Establishment of the Common Market Area for Eastern and Southern African States;

"WIB" means Women in Business;

"WID" means Women in Development.

ARTICLE 2

ESTABLISHMENT AND HEADQUARTERS

1. The Common Market for Eastern and Southern Africa Federation of National Associations of Women in Business is hereby established.
2. The Headquarters and domicile of the Federation shall be determined by the General Assembly.

ARTICLE 3

MEMBERSHIP AND ASSOCIATE MEMBERSHIP

1. Membership of the Federation shall be open to umbrella national associations or federations of women in business designated as in the Common Market for Eastern and Southern Africa Member States involved in all sectors of entrepreneurship, howsoever styled.
2. Associate membership shall be open to sub-regional, regional and international organizations of women with similar goals or development institutions concerned with integration of women into development activities.

ARTICLE 4

AIMS AND OBJECTIVES

In line with provisions of Article 154 and 155 of the Treaty, the aims and objectives of COMFWB shall be:

- (a) to promote programmes that integrate women into trade and development activities in Eastern and Southern Africa in all sectors of entrepreneurship with a view to improving the economic conditions of women in the sub-region as well as increasing the awareness of WID issues at the policy level;
- (b) promote the effective integration and participation of women at all levels of development especially at the decision-making levels;
- (c) eliminate regulations and customs that are discriminatory against women and specifically regulations and customs which prevent women from owning land and other assets;
- (d) promote effective education awareness programmes aimed at changing negative attitudes towards women;
- (e) create or adopt technologies which will ensure the stability of employment and professional progress for women workers; and

- (f) encourage and strengthen institutions which are engaged in the promotion and development of labour-saving devices aimed at improving the productive capacity of women.;
 - (g) increase the awareness of Women in Business issues at the policy level; promote special programmes for women in small and medium-size enterprises;
 - (h) eliminate such laws and regulations that hinder women's access to credit;
 - (i) initiate changes in educational and training strategies to enable women to improve their technical and industrial employment levels through the acquisition of transferable skills offered by various forms of vocational and on-the-job training schemes; and
 - (j) promote the effective participation of women in the Common Market trade and development activities.
2. The functioning and development of national associations and federations shall be reviewed in accordance with the provisions of this Charter and the COMESA Treaty, with a view to maintaining high standards and providing access to quality services to members.
 3. For the purposes of paragraph 1 of the Article, the Federation undertakes to:
 - (a) serve as representative body and a link between members and COMESA Secretariat, the COMESA Policy Organs, other sub-regional, regional and international organizations, whose aim is to promote trade and development;
 - (b) represent its members at meetings of the COMESA technical committees;
 - (c) represent the interests of members at all relevant platforms with the primary objective of promoting their business interests;
 - (d) promote the establishment, in the Member States, of enterprises owned by women either wholly, or in joint venture, with partners from within the sub-region or outside the sub-region, including the expansion of existing enterprises owned by women;
 - (e) promote sub-regional and regional networking among women and enterprises owned by women to facilitate accessibility to resources and generate increased support in the Member States for enterprises owned by women;
 - (f) In collaboration with the COMESA Gender & Social Affairs Division, act as a sub-regional facilitating body to identify and sensitize governments of the COMESA on the needs of members and also on strategies for achieving women's full integration into national and sub-regional trade and development activities; and
 - (g) encourage women from various business backgrounds to participate in programme activities of the federation through their national associations.
 4. Members shall make every effort to plan and direct the development policies of their national associations with a view to creating conditions favourable for the achievement of the aims of COMFWB and the implementation of the provisions of this Charter and shall abstain from any measures likely to jeopardize the achievement of the aims of COMFWB or the implementation of the provisions of this Charter.

ARTICLE 5

FUNDAMENTAL PRINCIPLES

The Federation, in pursuit of the aims and objectives stated in Article 155 of the Treaty establishing the Common Market for Eastern and Southern Africa, COMESA, and in conformity with the aims and objectives of the Heads of States comprised in the promulgation of this Charter on the 5th day of October 2006 at Lusaka in the Republic of Zambia, agree to adhere to the following principles:

- (a) equality and inter-dependence of the constituent national associations;
- (b) solidarity and collective self-reliance among the national associations;
- (c) inter-association co-operation, harmonization of policies and integration of programmes among the national associations;
- (d) accountability, economic justice and popular participation in development; and
- (e) the promotion and sustenance of a democratic system of governance in each national association.

ARTICLE 6

ORGANS

1. There shall be established as organs of the Federation:
 - (a) the General Assembly;
 - (b) the Board; and
 - (c) the Secretariat.
2. The organs of the Federation shall act within the powers conferred upon them by or under the provisions of this Charter.

ARTICLE 7

ESTABLISHMENT OF THE GENERAL ASSEMBLY

1. The General Assembly, which shall be composed of Heads of COMFWB Chapters in Member States, is hereby established and shall be the policy making organ of the Federation.
2. All the powers of the Federation shall, subject to the provisions of the Charter, be vested in the General Assembly.

ARTICLE 8

FUNCTIONS OF THE GENERAL ASSEMBLY

The General Assembly shall, perform the following functions:

- (a) determine the policy of the Federation;
- (b) determine programmes and activities within the context of COMESA programmes;

- (c) ensure that the Federation functions and develops in accordance with the Treaty and this Charter;
- (d) make recommendations to the Policy Organs of COMESA regarding policy issues that affect their interests;
- (e) determine the process for the contributions to the budget of the Federation;
- (f) approve the budget of the Federation and appoint members of the Board;
- (g) consider the report of the external auditors on the accounts of the Federation;
- (h) consider applications for membership or associate membership;
- (i) decide on applications for associate membership of the Federation to sub-regional, regional and international organizations;
- (j) decide on suspension or termination of membership or associate membership of a member or associate member;
- (k) decide on termination of operations of the Federation;
- (l) determine the location of the Headquarters of the Federation; and
- (m) exercise such other powers and perform such other duties as are conferred or provided for by this Charter.

ARTICLE 9

ANNUAL GENERAL MEETINGS

1. The General Assembly of the Federation shall meet once every year.
2. An Extraordinary Meeting of the General Assembly may be convened at the request of the Board or at the written request of a member, provided that such written request is supported by one third of the members.
3. Members of the General Assembly may be accompanied to meetings of the General Assembly by advisers.

ARTICLE 10

DECISION MAKING BY THE AGM

1. The decisions of the General Assembly shall be taken by consensus, failing which by two thirds of the members of the General Assembly.
2. Each member shall have one vote.
3. An associate member may participate in the meetings of the General Assembly but without the right to vote.

ARTICLE 11

RULES OF PROCEDURE

The General Assembly shall, subject to the provisions of this Charter, determine its own rules of procedure.

ARTICLE 12

ELECTION OF OFFICERS OF THE GENERAL ASSEMBLY

The Chairperson, Vice Chairperson and Rapporteur, shall be elected by members for a period of one year.

ARTICLE 13

THE BOARD

1. There shall be a Board composed of nine persons elected by the General Assembly from a list of names submitted by the members. In electing persons to the Board, the General Assembly shall, subject to the provisions of paragraph 2 of this Article, take into account geographical and linguistic representation during the Assembly gathering. The host country shall have a permanent seat on the Board but shall not be eligible for election to the Bureau of the Board.
2. The persons to be elected to the Board shall be reputable in the field of business management, in the provision of services to business or in other fields or activities directly or indirectly related to the programmes of the Federation.
3. Members of the Board shall hold office for a period of two years, provided that in order to ensure continuity of the business of the Federation, three of them shall be re-elected for an additional term of two years.
4. Tenure of Membership of persons elected into the Board shall only be renewable once.
5. Renewal of membership of the Board shall be based on assessed satisfactory performance by the General Assembly.
6. Upon the constitution of the Board, the Executive Director shall call the first meeting of the Board, which shall elect its Chairperson from among its members.

ARTICLE 14

BOARD MEETINGS

1. The Board shall meet at least once a year or as often as may be necessary.
2. Where the Board meets more than once a year, one of the meetings shall immediately precede the annual meeting of the General Assembly.

ARTICLE 15

FUNCTIONS OF THE BOARD

1. The Board shall:
 - (b) keep under constant review and ensure the proper functioning and development of the Federation;
 - (c) oversee the implementation of the provisions of this Charter;
 - (d) give directions to the Executive Director;

- (e) determine Staff Rules and Financial Rules of the Federation;
 - (f) consider reports submitted by the Executive Director on the activities of the Federation and make appropriate recommendations to the General Assembly;
 - (g) consider the audit reports submitted to it by the external auditors and make appropriate recommendations to the General Assembly;
 - (h) appoint members of ad-hoc committees;
 - (i) approve fees for services rendered by the Federation to members or other parties;
 - (j) approve fund raising activities for the Federation;
 - (k) appoint staff, other than the Executive Director, to the Secretariat;
 - (l) consider and submit, for approval of the General Assembly, the budget of the Federation; and
 - (m) either on its own initiative or through the directives of the General Assembly, submit reports and recommendations to the General Assembly on the activities of the Federation.
2. The Board shall, subject to this Charter, determine its own rules of procedure on the approval of the General Assembly.

ARTICLE 16

DECISION MAKING OF THE BOARD

1. The decisions of the Board shall be taken by consensus, failing which by two-thirds majority of the members of the Board.
2. Each member of the Board shall have one vote.
3. Observers shall not have the right to vote.
4. Where an objection is recorded on behalf of a member of the Board to a proposal submitted for the decision of the Board, the proposal shall, unless such objection is withdrawn, be referred to the General Assembly for its decision.

ARTICLE 17

THE SECRETARIAT

1. The Secretariat of the Federation is hereby established and shall be headed by an Executive Director who shall, on recommendation of the Board, be appointed by the General Assembly to serve in such office for a term of five years and shall be eligible for reappointment for a further term of five years.
2. The Executive Director shall be the Chief Executive Officer of the Federation and shall represent the Federation in the exercise of its legal personality.
3. The Executive Director shall be responsible for the implementation of all the programmes of the Federation and shall have the power to seek assistance from the Member States, the donor community and the private companies with a view of

carrying out projects, provided such assistance is not subject to financial commitment by the Federation, in which case the Executive Director shall first seek the approval of the Board.

4. The Executive Director shall be assisted by such other staff as the Board may determine.
5. Without prejudice to paragraph 4 of this Article, the Executive Director shall, in particular:
 - (a) be in charge of the day-day operations of the Federation under the general supervision of the Board;
 - (b) keep under constant review the operations of the Federation, taking into account the strategies adopted and policy directives of the General Assembly and from time to time make to the Board proposals aimed at promoting the achievements of the objectives of this Charter;
 - (c) ensure the sound management of the administration and finance of the Federation;
 - (d) mobilize financial resources for the programmes of the Federation;
 - (e) submit to the Board, implementation plans and timetables for each sub-programme;
 - (f) prepare and implement the sub-programmes on:
 - i. identification of investment opportunities;
 - ii. preparation of investment project documents, project management, monitoring and evaluation;
 - iii. expert related market research; export promotion and strategy and contract promotion;
 - iv. promotion of Members' participation at trade fairs and to organize trade fairs for Members;
 - v. enterprise level assistance and project tied training;
 - vi. product development and export consignment pooling;
 - vii. collection, processing and dissemination of technical and business Information; and
 - viii. resource mobilisation to set up a revolving loan fund and credit guarantee scheme to assist members expand existing enterprises;
 - (g) Undertake publicity campaigns on the activities of the Federation;
 - (h) advise the Federation on current developments concerning COMESA policies, implementation plans and other COMESA activities such as trade fairs, seminars, Mentoring Workshops and meetings and submit to the Board drafts of work programmes and budget of the Federation;
 - (i) submit to the Board audited accounts of the Federation;

- (j) report to the Board paid and unpaid subscriptions, subventions, technical assistance, grants and other financial support received on behalf of the Federation;
 - (k) report to the COMESA appropriate technical committees on the implementation progress of the Federations' programmes and undertake any other activities as may be determined by the General Assembly and the Board.
 - (l) In his or her own initiative or as may be assigned to him or her by the General Assembly or the Board, undertake such work and studies and perform such services as relate to the aims of the Federation to the implementation of the provisions of this Charter.
6. In the performance of their duties, the Executive Director and the staff of the Secretariat shall not seek or receive instructions from any member, bodies or authority external to the Federation. The Executive Director and the staff of the Secretariat shall refrain from actions, which may undermine their positions as international officials responsible only to the Federation.
 7. Each member shall undertake to respect the international character and responsibilities of the Executive Director and the staff of the Secretariat and shall not seek to influence them in the discharge of their responsibilities.
 8. The General Assembly and the Board may authorize the Executive Director to seek the assistance of COMESA Member States, other States and organizations, to co-operate with the Federation in the execution of the projects for which the Federation has obtained assistance.
 9. The terms and conditions of service of the Executive Director and other staff shall be determined by the Board.
 10. In appointing staff to offices in the Secretariat, regard shall be had, subject to the paramount importance of securing the highest standards of integrity, efficiency and technical competence, to the desirability of maintaining the principle of equal opportunities and an equitable distribution of appointments to such offices among citizens of all the Member States.

ARTICLE 18

MEMBERSHIP OR ASSOCIATE MEMBERSHIP OF THE FEDERATION IN OTHER ORGANISATIONS

The Federation may be a Member or Associate Member of any sub-regional, regional or international organization whose objectives are directly related and would be an added value to the objectives of the Federation.

ARTICLE 19

CO-OPERATION WITH OTHER ORGANISATIONS

The Federation may enter into agreements with other organizations in furtherance of its objectives.

ARTICLE 20

RELATIONSHIP BETWEEN THE FEDERATION AND COMESA

1. The Federation shall enter into co-operation agreements with the COMESA Secretariat and COMESA created institutions for the purpose of establishing close working relationships as provided under Article 175(3) of the COMESA Treaty.
2. The Federation shall maintain a close working relationship with COMESA to ensure that the provisions of the Treaty and the Charter are implemented.
3. The Federation shall be responsible for the development and implementation of the programmes within its mandate and work Plan provided for in this Charter.
4. COMESA shall, in so far as the Federation's programmes are concerned, monitor the implementation of the provisions of the Treaty as well as decisions of the Authority and Council addressed to Member States.

ARTICLE 21

OBLIGATIONS OF MEMBERS

Each Member shall make every effort to plan and direct its programmes with a view to creating conditions favourable for the achievements of the objectives of the Federation. In particular, each Member shall:

- (a) abide by the provisions of this Charter and co-operate in all activities to ensure the promotion and attainment of the objectives of the Federation;
- (b) implement decisions of the General Assembly and the Board;
- (c) attend and participate in meetings of the organs of the Federation; and
- (d) pay subscriptions and fees as and when required.

ARTICLE 22

FINANCIAL RESOURCES

1. Financial resources of the Federation shall be derived from subscriptions payable by Members, budgetary allocation by COMESA Member States, as well as from capital, loans, gifts, legacies, donations and income from fundraising activities of the Federation.
2. Gifts, legacies and donations shall be accepted subject to consultations with the Chairperson of the Board, who shall report to the next meeting of the Board.
3. The Federation may, for its purposes, operate bank accounts in the country where the Headquarters is located and others determined by the Board.

ARTICLE 23

PAYMENT OF SUBSCRIPTIONS

1. Members shall undertake to pay such subscriptions as may be determined by the Board and approved by the General Assembly.
2. Subscriptions shall be payable in advance or due dates prescribed by the Board.
3. The Executive Director may recommend a review and increase of subscription amounts. Revised subscriptions amounts shall be adopted by two-thirds majority vote of the Board and approved by two-thirds vote of the General Assembly.

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ARTICLE 24

AUDITING OF ACCOUNTS

1. The accounts of the Secretariat relating to each financial year shall be prepared in accordance with international standards and reports shall be prepared in accordance with international standards and shall be audited in the following financial year by the external auditors.
2. The external auditors shall be appointed, from time to time by the Board on the proposal of the Executive Director.
3. For the purposes of the contributions made by Member States, Council shall appoint the external auditor of COMFWB in accordance with Article 169 of the Treaty.
4. Such external auditors shall be based in the COMESA Region and be qualified to practice in accordance with the national laws of the Member States.
5. The external auditors shall be of outstanding repute and integrity and shall have demonstrated a high degree of professional skills.
6. The external auditors shall act in accordance with any general or specific direction of the Board.
7. The external auditors shall determine their own rules of procedure;
8. The external auditors shall submit their report of the auditor to the Executive Director no later than six months from the expiry of the financial year to which the accounts so audited relate.
9. Upon receipt of the report of the external auditors, the Executive Director shall circulate copies thereof to every member and convene a meeting of the Board to examine the report and to make recommendations in relation thereto before the report is submitted to the General Assembly for adoption.

ARTICLE 25

STATUS

1. The Federation shall take steps to negotiate with Members States to grant it international legal personality and corporate body status.

2. The Executive Director shall be responsible for the negotiation referred to in paragraph 1 of this Article. The Executive Director shall, in addition, negotiate a Host Agreement with the Member States in whose territory the Headquarters of the Federation shall be situated.

ARTICLE 26

SUSPENSION AND REVOCATION

1. Members who, in spite of reminders, are in arrears of more than two years' payment of subscription, or have failed to comply with other obligations defined in this Charter, or the decisions of the General Assembly, shall, by two third majority decision of the General Assembly, be suspended from participating in the activities of the Federation for a period of one year.
2. The suspension of a member may be revoked by two-thirds majority decisions of the General Assembly.
3. Any member on suspension, who, at the end of the period provided for in paragraph 1 of this Article has not paid its arrears, shall cease to be a member of the Federation.
4. Unless otherwise directed by the General Assembly, the suspension of membership shall not exempt a member from the discharge of its financial obligations to the Federation.

ARTICLE 27

WITHDRAWAL FROM THE FEDERATION

1. Any Member wishing to withdraw from the Federation shall give to the Executive Director one year's written notice of its intention to withdraw and at the end of such a year shall, if such notice is not withdrawn, cease to be a Member of the Federation.
2. During the period of one year referred to in paragraph 1 of this Article, a Member wishing to withdraw from the Federation shall nevertheless observe the provisions of this Charter and shall remain liable for the discharge of its obligations under this Charter.
3. The obligations assumed by Members under this Charter shall, to the extent necessary, survive the termination of membership of any Member.
4. A withdrawing Member shall be entitled to claim any property, assets or rights over any of the property and assets of the Federation only upon the termination of the Federation.
5. Any property and assets of the Federation situated in the territory of a Member State and is under the control of a Member who has withdrawn from membership shall continue to be the property of the Federation and be available to the Federation.

ARTICLE 28

SETTLEMENT OF DISPUTES

1. Any dispute between Members of the Federation arising from the interpretation or application of this Charter shall be settled amicably by agreement signed by the parties concerned.
2. Upon failure to settle such dispute, the Bureau of the General Assembly shall submit it to the COMESA Court of Justice for Arbitration. The decision of the Court of Justice shall be final and binding on the parties.

ARTICLE 29

DURATION AND DISSOLUTION OF THE FEDERATION

1. The Federation shall have an indefinite duration.
2. The Federation may be dissolved by the General Assembly by two-thirds majority decision.
3. The General Assembly shall establish an ad hoc committee to ensure the orderly dissolution of the Federation. Such a Committee shall include the Executive Director as a member.

ARTICLE 30

ENTRY INTO FORCE OF THE FEDERATION CHARTER

The Charter shall enter into force when signed on behalf of the organizations referred to in paragraph 1 of Article 3 of the Charter representing 10 Member States of COMESA.

ARTICLE 31

ACCESSION TO THE CHARTER

Any organizations referred to in paragraph 1 of Article 3 of this Charter desiring to join the Federation after the entry into force of this Charter shall accede to this Charter by depositing the Instrument of Accession with the depositary.

ARTICLE 32

ASSOCIATE MEMBERSHIP

Any organization desiring to join the Federation as an Associate Member shall submit its application in writing to the General Assembly, through the Executive Director, who shall immediately advise members of the application. The General Assembly shall consider the application on the basis of recommendations of the Board.

ARTICLE 33

DEPOSITORY

The Charter shall be deposited with the Secretary General of COMESA, who shall notify Members and Associate Members of the Federation of the date of entry into force of the Charter and send certified true copies of this Charter to members. The Secretary shall

advise members of the Federation of dates of receipt of the Instrument of Accession.

ARTICLE 34
AMENDMENTS

- 1. Any Member may submit proposals for the amendment of this Charter.
- 2. Any proposals for the amendment of this Charter shall be submitted to the Executive Director in writing who shall, within thirty days of its receipt, communicate it to the Members.
- 3. The Members which wish to comment on the proposals shall do so within ninety days from the date of the dispatch of the proposal by the Executive Director.
- 4. After the expiration of the period prescribed under paragraph 3 of this Article, the Executive Director shall submit the proposals and any comments thereon received from the Members to the General Assembly through the Board.
- 5. Any amendment to this Charter shall be adopted by the General Assembly and shall enter into force when ratified by two-thirds of the Members, provided that in exceptional cases the General Assembly may provide for an Amendment of the Charter to come into force upon adoption by the General Assembly.

Done at Lusaka, in the Republic of Zambia, on this 5th day of October in the year two thousand six, in the English and French texts, the two texts being equally authentic.

IN FAITH WHEREOF the undersigned have placed their signatures at the end of this Charter.

.....
FOR/ASSOCIATION DES FEMMES ENTREPRENEURS DU BURUNDI
BURUNDI

.....
FOR/RESEAU NATIONAL DES FEMMES ENTREPRENEURES (RESNAFE)
COMOROS

.....
FOR/FE'DE'RATION DES ENTREPRISES DU CONGO (CNFE)
DEMOCRATIC REPUBLIC OF CONGO
.....

FOR/EGYPTIAN BUSINESSWOMAN ASSOCIATION (EBWA)

EGYPT

.....

FOR/ERITREA COMESA FEDERATION OF WOMEN IN BUSINESS (COMFWB)

ERITREA

.....

FOR/ESWATINI COMESA FEDERATION OF WOMEN IN BUSINESS (COMFWB)

ESWATINI

.....

FOR/ETHIOPIAN WOMEN ENTERPRENUERS ASSOCIATION (EWEA)

ETHIOPIA

.....

FOR/FEDERATION OF WOMEN ENTREPRENEURS ASSOCIATION (FEWA)

KENYA

.....

FOR/WOMEN IN BUSINESS (WIB)

LIBYA

.....

FOR/GROUPMENT DES FEMMES ENTREPRENEURS

DE MADAGASCAR (GFEM)

.....

FOR/NATIONAL ASSOCIATION OF BUSINESS WOMEN (NABW)

MALAWI

.....

FOR/ETREPRENDRE AU FEMININ OCEAN INDIEN (EFO)

MAURITIUS

.....

FOR/ RWANDA COMESA FEDERATION OF WOMEN IN BUSINESS (COMFWB)

RWANDA

.....

FOR/L'ENTREPRENDRE AUX FEMININ OCEAN INDIEN SEYCHELLES (EFOIS)
SEYCHELLES

.....
FOR/SUDAN COMESA FEDERATION OF WOMEN IN BUSINESS (COMFWB)
SUDAN

.....
FOR/CHAMBER NATIONALE DES FEMMES CHEFS d'ENTREPRISES (CNFCE)
TUNISIA

.....
FOR/UGANDA WOMEN ENTREPRENUERS ASSOCIATION LTD (UWEAL)
UGANDA

.....
FOR/ZAMBIA FEDERATION OF ASSOCIATIONS OF WOMEN IN BUSINESS
(ZFAWIB) - ZAMBIA

.....
FOR/ ZIMBABWE COMESA FEDERATION OF WOMEN IN BUSINESS (COMFWB) -
ZIMBABWE

In pursuance of the provisions of Article 24 of the Charter establishing the Federation of National Associations of Women in Business in Eastern and Southern Africa, I hereby certify the foregoing to be a true copy of the said Charter.

.....

Date

.....

CHILESHE M. KAPWEPWE
SECRETARY GENERAL OF THE
COMMON MARKET FOR EASTERN
AND SOUTHERN AFRICA

.....

Date

.....

RUTH NEGASH
CHIEF EXECUTIVE OFFICER
COMESA FEDERATION OF NATIONAL ASSOCIATIONS OF WOMEN IN BUSINESS

COMFWB STAFF RULES AND REGULATIONS 2020

CHAPTER I

GENERAL

Rule 1

Scope and Purpose

These Staff Rules and Regulations have been made and issued in pursuance of Article 15(1)(e) of the Charter. They set out the broad policies governing the human Resource management applicable to the staff members of the COMFWB Secretariat.

Rule 2

Naming of the Rules

These Rules shall be called “COMFWB Staff Rules and Regulations 2020” and are hereinafter referred to as the “Rules”.

Rule 3

Interpretation

The interpretation of these Rules shall rest with the Executive Director. However, the COMESA Court of Justice may consider appeals under Article 27(1) of the Treaty and its interpretation shall in accordance with Article 31(1) of the Treaty be final, and not open to further appeal.

Rule 4

Definitions

In these Rules and unless the context otherwise provides:

“Beneficiary” means any person appointed or designated as such by the Staff Member as a recipient of benefits resulting from the death of that Staff Member or former Staff Member of COMFWB;

“Casual employee” means a person who is employed for manual work on hourly or daily basis or on the basis of a piece of work;

“Consultant” means a person who is employed on *ad hoc* basis for technical or professional work with specific deliverables on a short fixed-term contract for a period not exceeding six months;

“Dependent child” means a staff member’s:

- (a) natural child;
- (b) or legally adopted child; or
- (c) stepchild living with the staff member;

Who is registered with COMFWB and not gainfully employed up to the age of 18 years or 25

years in the case of a dependent still pursuing full time education

"Dependents" means a spouse and or a maximum of four children registered with COMFWB

"Fixed-term employee" means a person whose appointment has an expiry date specified in the letter of appointment;

"General Assembly" means the Assembly of the Federation established by Article 7 of the Charter of the COMESA Federation of Women in Business

General Service Category

"Home leave" means periodic leave to which a Staff Member is entitled to every two (2) years in order to visit his/her home country in the case of professional staff or home town in the case of General Service Staff at the time of recruitment or, if circumstances do not permit such a visit, any other approved place;

"Internationally recruited staff" means a Staff Member in the Professional Category;

Intermediate Category

"Locally recruited staff" means a Staff Member in the Intermediate or General Service Categories;

"Professional Category" means the category of staff holding internationally recruited positions;

"Project Staff" means staff recruited on non established positions within the approved Charter of COMFWB but working under projects funded by COMFWB or Cooperating Partners;

"Registered" means the notification and submission of official documentation to COMFWB by a Staff Member of his/her dependants

"Separation" means cessation of service of a Staff Member from COMFWB's service as a result of resignation,, termination of appointment, expiration of contract, retirement, permanent disability, on conviction leading to imprisonment for a minimum of three months, death or dismissal;

"Spouse" means any person lawfully married to a Staff Member and for this purpose COMFWB shall recognize only one dependent spouse;

"Staff Member" means a person contracted in the professional, intermediate or General Service categories, the staff could be established or non-established;

"Temporary staff" means a person contracted on an *ad hoc* basis for performing general services;

"Tie" means when two or more candidates obtain the same numerical scores when rounded off to the nearest whole number;

Rule 5

Applicability

1. These Rules shall apply to all the staff members of COMFWB irrespective of their category and duration of their contracts.
2. For the avoidance of doubt these rules shall not apply to consultants, project staff and temporary staff, the conditions of service for consultants, project staff and temporary staff shall be stated in their contracts.

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CHAPTER II

DUTIES AND OBLIGATIONS

Rule 6

Impartiality and Integrity of Staff Members

1. Staff Members shall conduct themselves with strict impartiality and with the highest integrity, and shall to this effect refrain from any activity which may compromise their impartiality and integrity.
2. The Secretariat and its staff should adhere to good governance policies and practices in the fulfillment of their duties

Rule 7

Allegiance of Staff Members

1. In the performance of their duties, staff Members shall not seek or receive instructions from any Member States or from any other authority external to COMFWB and they shall refrain from any actions which may adversely reflect on their position as officials and shall be responsible only to COMFWB.
2. A Staff Member shall always remain at the disposal of the Executive Director and shall answer the call of duty at any time.

Rule 8

Intellectual Property Rights

All intellectual property rights in any work produced by a Staff Member as part of his/her official duties shall be vested in COMFWB.

Rule 9

Other Obligations

1. A Staff Member shall not engage in any private or commercial agency or agencies or business which may affect his/her impartiality in the performance of his/her official duties or his/her undivided loyalty to the service and interest of COMFWB.

2. A Staff Member who on occasion has to deal in his/her official capacity in any matter involving a business concern in which he/she holds commercial interest and which has a bearing on his/her official duties, he/she shall disclose the fact of that interest to COMFWB.
3. Staff Members shall ensure that where there is need in the course of their duties to:
 - (a) issue statements to the press, radio or other media of public information;
 - (b) accept speaking engagements;
 - (c) participate in film, radio or television production or interviews or making of public pronouncements;

such activities are carried out with appropriate care being taken to ensure that the information released is not damaging to/or prejudicial to the interests of the institution.

4. It shall be unlawful for any Staff Member to engage in the following activities in connection with his work without approval and clearance from the Executive Director:
 - (a) disclosure of any information which he/she might have obtained in the course of his/her normal duty except with the authority of the Executive Director. This obligation does not cease upon separation until after a period of three (3) years has elapsed;
 - (b) acceptance of any honour, decoration, form of remuneration or all sorts of favours incompatible with his/her obligations or likely to compromise his/her independence and duties towards COMFWB, from any institution or any other source external to COMFWB. Every COMFWB Staff Member shall be duty-bound to report immediately to the Executive Director any such offer received. Failure to do so shall render him/her liable to disciplinary measures.

Rule 10

Privileges and Immunities

1. Staff Members shall be entitled to such privileges and immunities as may be accorded to them by the host Government or by the Governments of the other COMFWB Member States as determined by the General Assembly,

Provided that, a distinction shall be made between privileges and immunities accorded to Staff in the Professional Category from those accorded to Staff in the Intermediate and General Service categories, in accordance with international practice.
2. Every Staff Member shall be covered by one form of insurance or another, arranged by COMFWB for its Staff Members as may be determined by the management from time to time.

CHAPTER III

JOB ANALYSIS AND EVALUATION

Rule 11

Classification of Positions

1. Subject to the approval of the General Assembly, the Executive Director shall periodically undertake job analysis and job evaluation for all job categories. Based on this exercise positions may be classified or reclassified. Any such reclassification if it concerns Professional Category shall be subject to the approval of the General Assembly.
2. The Executive Director shall implement the approved classification or reclassification of positions subject to the availability of funds.
3. The Executive Director shall introduce a system for the maintenance of classification.
4. The Job descriptions shall be reviewed every Five (5) years and when need arises. The revised job descriptions shall be approved by Executive Director.
5. The Executive Director may on recommendation of the Human Resources Committee amend, whenever necessary, the establishment of the Intermediate Category and General Service Staff and report to the next meeting of the General Assembly.
6. The Executive Director with the approval of the Board shall appoint staff to lower and middle management positions in the Professional Category of P1 to P3 in order to shorten the recruitment process. The Executive Director shall subsequently report to the General Assembly

Rule 12

Upgraded Position

A Staff Member in the Professional Category shall remain on the grade at which he/she was recruited. If the position is upgraded, the Executive Director may recommend to HR the appointment of the incumbent if he/she qualifies for the new position.

CHAPTER IV

APPOINTMENTS AND PROMOTIONS

Rule 13

Recruitment Process

1. All vacancies for the positions in the Professional Category shall be advertised in all member States. And all applications shall be screened by the member States before submission to the Secretariat by the due date. A maximum of five applications shall

be submitted for each position. The Secretariat shall pay travel expenses and per diem for short-listed candidates. Where advertisements are sent to all member States but only three or less candidates apply, the recruitment process shall proceed, provided that the three candidates meet the minimum requirements for the positions.

2. The maximum age limit for applying to a COMFWB position shall be 55 years taking into account the recruitment cycle.
3. Notwithstanding the other criteria for shortlisting and evaluation of candidates as specified in the Recruitment and Selection Manual of the Secretariat, the Secretariat should adopt a one stage advertisement system with a three stage shortlisting process that reduces time and costs while simultaneously maintaining the requirements for quota system. In this regard a three stage shortlisting process will be implemented as follows:
 - (i) Stage 1: The short listing shall be done for applications received from those Member States that are not represented or underrepresented. If the Shortlisting Panel does not find any or adequate suitable candidates from Stage 1, the Panel shall move to Stage 2.
 - (ii) Stage 2: This stage shall only be implemented by the Secretariat if no suitable candidates were shortlisted at Stage 1. Under this stage, the Short-listing Panel shall also consider applications from Member States who have filled but not exceeded their quota. If no suitable candidates are found or not enough candidates are identified at this stage, the Panel shall then move to Stage 3.
 - (iii) Stage 3: The Shortlisting Panel shall now consider applications received from those Member States that have exceeded their quotas.
4. The interviewing Panel shall proceed, in line with the above three stages and with an expansion of the points award system as follows:

Interviews for Stage 1:

- (i) 10 points to be awarded to those candidates whose Member States are not represented at the Secretariat; and
- (ii) 5 points to those candidates whose Member States are underrepresented (partly filled their quota) at the Secretariat.

Interviews for Stage 2:

In case of no or inadequate candidates shortlisted under Stage 1: (2) points to those candidates whose Member States have filled but not exceeded their quotas.

Interviews for Stage 3:

In case of no or inadequate candidates shortlisted under Stages 1 and 2: (0) points to those candidates whose Member States have exceeded their quotas.

5. Member States when submitting their screened applications to the Secretariat, should attach a copy of the advertisement published in their local media; and
6. Member States shall take the responsibility of ensuring that all approved positions are

advertised extensively in their local media and that applications received are screened and short-listed on the basis of the established criteria for the advertised vacant professional positions.

7. Member States shall bear the cost of advertisement of positions in their countries.
8. Appointments for the positions of Directors of Divisions as well as appointment for the position of Legal Counsel shall be made by the General Assembly on the recommendation of a Selection Panel established by it. The Panel shall be composed of:
 - (a) members of the Public Service Commission or Permanent Secretaries from at least three member States, which have no candidates for the position advertised, provided that in selecting the three Member States to sit on the Selection Panels, an effort shall be made to ensure that the representation is carried out on a rotational basis;
 - (b) at most, two additional persons from the public or private sector with specialised knowledge in the profession of the position being filled,provided that members of the Panel shall be qualified to carry out the interviews.
9. Interviews for appointment to positions in the Professional Category except those of Directors and the position of Legal Counsel shall be conducted by a selection panel of a minimum of three members where the Executive Director deems it necessary. The panel shall be appointed by the Executive Director in consultation with the Director of Division concerned who shall be a member of the panel, provided that such Director has not participated in the short listing and none of the candidates is of the same nationality. The Director of Human Resource and Administration or his/her representative shall be an ex-officio member. The Executive Director shall be the Chairman of the panel.
10. COMFWB Secretariat staff shall not participate in the shortlisting and interviewing process if their nationals are candidates. In addition to the Recruitment Process in these Rules and Regulations, members of the Committee of Permanent Representatives (CPR) based in the host Government may be allowed to participate in the short-listing and interviewing of candidates where their technical expertise is required for the advertised professional positions by COMFWB provided their nationals are not candidates.
11. In the case where all Permanent Representatives available in Host Country have candidates, either on shortlisting or on interview panel, the Secretariat should utilize international and cooperating organizations based in Host Country to mitigate costs.
12. When all Member States have candidates on the shortlist, in terms of the panel the representative from the country same as the candidate shall not participate in the discussion and ranking of their candidate to avoid a conflict of interest
13. To avoid conflict of interest, the Secretariat should adhere to good governance policies and practices in the fulfillment of their duties. All members of the shortlist and interview panels shall declare interest prior to participating in any of the panels.

14. Vacant positions in the General Service category shall be advertised in the host country and citizens of member States residing in the Host Country are free to apply.
15. An application by a Staff Member shall be submitted directly to the Secretariat. For professional positions, internal applicants should inform and submit a copy of their application and supporting documentation to their respective Member States.
16. At the end of the closing date of any advertised position(s), if at least three candidates have applied, the recruitment process can proceed provided that the applicants meet the minimum requirements for the position.
17. At the end of the closing date of any advertised position(s), not more than five qualified candidates and not more than one candidate for each position from each Member State shall be short-listed and interviewed. Where such advertisements are sent to all Member States but only one candidate among those short-listed appears for the interview, he/she shall be interviewed and offered the position if found suitable. The Secretariat shall pay travel and per diem expenses for short-listed candidates for the positions advertised.
19. When there is a tie in numerical scoring, gender, the geographic and linguistic criteria of the countries not represented shall be considered. In the case where the applicants are of the same sex, performance in all elements of the process should be reviewed and a decision made.

Rule 14

Offer of Appointment

1. On the completion of the procedure for recruitment, the successful candidates shall be offered appointment in writing accompanied with a contract by the Executive Director.
2. The contract shall contain such terms as period of contract, grade, remuneration, conditions of service, retirement benefits, fringe benefits, provisions for termination of appointment, and a specific date within which to indicate acceptance of the offer.
3. Letters of regret shall be sent to all unsuccessful candidates who participated in the interview.

Rule 15

Acceptance of the Offer

1. Acceptance of the offer of appointment shall be made in writing by the appointee. An offer which has not been accepted within the time specified in the letter of offer shall be deemed to have been rejected, and the next qualified candidate may then be considered for the position, otherwise the position may be re-advertised.
2. The appointment of a Staff Member shall take effect from the date on which he/she enters upon his/her duties.

Rule 16

Employment Contract

1. All appointments shall be subject to medical clearance by any physician designated by COMFWB.
2. A newly appointed Staff Member shall be given copies of the COMFWB Charter, code of ethics, organisational policies, rules and regulations.

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Rule 17

Length of Employment

1. A new Staff Member appointed in the regular establishment shall be offered an initial contract of four years for the Professional Category and five years for the and General Service Category.
2. The subsequent contracts for professional staff shall be for four years each, while for the Intermediate and General Service staff shall be for five years each subject to satisfactory performance.
3. No professional Staff Member shall be allowed to remain in the service of COMFWB for more than 12 years in the same position. The Executive Director shall have the discretion to appoint someone to act from within the organisation until the position is filled.
4. Notice of intention of non-renewal of contract shall be given to the Staff Member concerned at least three months prior to the expiry of the contract.
5. The decision to renew or not to renew a contract shall be based on performance appraisal reports.
6. If COMFWB keeps a Staff Member in active service beyond the period of a contract which has not been renewed the Staff Member shall be deemed to be in continuous service and shall be entitled to his/her usual emoluments until a decision is taken to renew or not to renew the contract.

Rule 18

Probationary Period

1. Probationary period shall be six months for the Professional Category and three months for the General Service Categories and confirmation will be subject to satisfactory performance.
2. In all cases, if the period of probationary service has been unsatisfactory, it may be extended once for a period of six months, in the case of the Professional Category and three months in the case of the General Service Category.
3. All Division or Unit Heads shall submit written performance reports of staff in the Professional Category, to the Executive Director. The Executive Director shall assess the report and determine whether or not the appointee shall be confirmed in the service. The assessment of Division or Unit Heads shall be made by the Executive Director.

- 4. If the period is extended, the performance of the holder of the probationary appointment shall be reviewed once again to determine whether or not he/she has improved at the end of extended period.
- 5. If the performance of the staff is satisfactory after the extension of the probationary period the Staff Member shall be confirmed in her/his appointment. However, if the performance of the staff is not satisfactory after the extension of the probationary period, the contract shall be terminated on grounds of poor performance.

Rule 19

Re-employment

- 1. A former Staff Member may be re-employed provided that the reasons for his/her separation from service are not incompatible with his/her re-appointment. However, prior service shall not waive the process of competition from a former staff member.
- 2. A re-employed Staff Member shall be given the terms and conditions applicable at the time of re-employment, without regard to any period of prior service.

Rule 20

Geographical Distribution of Positions

- 1. The General Assembly and the Executive shall ensure that the recruitment process endeavours to attain geographical distribution of positions. This principle is necessary to ensure that the Secretariat is a cross section of the membership of COMFWB. However, appointments shall not be based on political considerations.
- 2. For purposes of these Rules, the Secretariat will endeavour to uphold the principle of seeking to attain fair and equitable distribution of regular positions among the member States.

Rule 21

Oath of Allegiance

All staff Member s shall, upon recruitment, make the following written declaration in the presence of the COMFWB Legal Counsel witnessed by the Executive Director or his or her authorized representative:

"I

solemnly declare and promise to exercise in all loyalty, discretion and conscience the functions entrusted to me as a staff Member of COMFWB to discharge these functions and regulate my conduct with the interests of COMFWB in view, and not to seek or accept instructions in regard to the performance of my duties from any Government or other authority external to COMESA."

"I also solemnly declare and promise to respect the obligations incumbent upon me as set out in article 17 (6) of the COMESA Treaty

THUS DONE, SIGNED AND SWORN/AFFIRMS TO BEFORE ME AT

ON THIS..... DAY OF..... 20... DEPONENT HAVING ACKNOWLEDGED
THAT HE/SHE UNDERSTANDS THE CONTENTS HEREOF.

.....
DEPONENT

.....
COMMISSIONER OF OATHS

CHAPTER V

PERFORMANCE APPRAISAL

Rule 22

System of Management

The Executive Director shall implement an effective system of performance Management subject to the approval of the General Assembly.

Rule 23

Transparency and Fairness

The system of appraisal shall ensure transparency and fairness. In so far as possible there shall be provision for two evaluators one of whom shall be the immediate supervisor. In cases where the staff Member has only one supervisor the Executive Director may nominate any other staff Member senior to that staff Member and who often interacts with that staff Member in their course of duty to be a second evaluator.

Rule 24

Relevance of Performance Appraisal

Performance appraisals shall not be limited to confirmations of appointments, renewal of contracts and promotions. It shall also be used as a tool for continuous staff development, career path progression and staff motivation.

Rule 25

Appeal for Re-Appraisal

1. A Staff Member shall have the right to contest and appeal for re-appraisal of his or her performance within a period of one month from the date the staff Member receives the appraisal report.
2. The system of appraisal shall explain the procedure to be used in rebuttal including the appointment of an ad hoc investigative panel.
3. The result of the rebuttal may confirm, amend or replace the related appraisal.

CHAPTER VI

EMOLUMENTS AND OTHER BENEFITS

Rule 26

Emoluments

1. The emoluments of Staff Members shall consist of salaries and allowances.
2. Allowances shall be determined and revised by the management.

Rule 27

Salaries

1. The salaries of the staff shall be in accordance with the salary structure approved by the General Assembly.
2. First appointment to all COMFWB positions shall be at Step 1 of the appropriate salary scale, except in exceptional circumstances where the Selection Panel is of a view that a candidate has outstanding qualifications and proven relevant experience to warrant placement at a higher entry point.
3. Salary increment shall be effected on the first day of the anniversary of the appointment each year, except for a disciplinary measure. The rate of increment shall be one step a year within the salary grade.

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Rule 28

Salaries Adjustment Review

1. Every five years the General Assembly shall consider a report of the salary adjustment review based on the salary survey report which compares COMFWB basic salaries and allowances with those of comparator organisations as well as the cost of living at the duty station. The difference between the chosen market percentile and COMFWB pay rates for each grade/level surveyed shall be computed and a determination made of how much COMFWB is behind the market. COMFWB salaries and allowances for all staff shall then be adjusted to market levels following approval of the General Assembly.
2. Any salary increase recommended by the survey shall take into account COMFWB's ability to pay. To this end, the COMFWB Secretariat shall conduct a simulation exercise to assess its financial implications.
3. In the event of unforeseen developments such as drastic currency fluctuations and before the expiry of the five years referred to in paragraph 1, the COMFWB Secretariat shall present the case to the Board for guidance.

Rule 29

Salary Advance

1. A Staff Member may be granted a salary advance to be recovered in a period not exceeding three (3) months.
2. A Staff Member may be granted salary in advance to cover the period of approved leave.
3. The recovery of an advance shall commence at the end of the month in which it is obtained.
4. No salary advance shall be given before the previous one has been fully recovered.

5. In the case of Separation the advance shall be recovered from the last pay or the terminal benefits.

Rule 30

Overtime Allowance

1. Staff in the General Service Category shall be entitled to overtime allowance or compensatory time off in the event they are required to work during holidays or in excess of the normal daily working hours, provided that overtime allowance does not exceed 25 per cent of the basic salary.
2. Overtime allowance shall be calculated at the rate of one and half times the normal prorated pay during week-days and twice the rate during weekends and public holidays.
3. Members of the staff in the Professional Category shall not be entitled to overtime or to compensatory time off for any work done in excess of the normal working hours.

Rule 31

Acting Allowance

1. A staff Member who has been appointed in writing by the Executive Director to carry out the functions of a higher position and does so for a period not less than one month shall be entitled to an acting allowance from the effective date of the acting appointment.
2. Any acting appointment made by the Executive Director shall be made formally in writing with the terms and conditions specified in it.
3. The amount of such allowance shall be the difference between the staff Member's basic salary and the basic salary of the position in which he/she is acting.
4. Any acting appointment in excess of one year shall be reviewed by the Board for a decision, on the recommendation of the Executive Director.
5. Any acting appointment shall cease on the day the successful candidate reports for duty.

Rule 32

Spousal Allowance

1. A Staff Member in the Professional Category shall receive spousal allowance for a spouse.
2. Payment of such allowance shall be based upon submission of the marriage certificate.
3. The General Assembly shall determine the rates of such allowance from time to time.

Rule 33

Dependency Allowance

1. A staff Member shall receive dependency allowance for each dependent child subject to a maximum of four children provided the child is below the age of 18 years or 25 years in the case of a dependent still pursuing full time education.
2. Payment of such allowance shall be based on the production of the birth certificate or proof of adoption.
3. The General Assembly shall determine the rates of such allowance from time to time.

Rule 34

Housing Allowance

A Staff Member shall be entitled to housing allowance at rates and conditions set by the General Assembly.

Rule 35

Installation Allowance

1. A staff member and dependents accompanying him/her shall receive installation allowance upon arrival at his/her duty station provided the Staff Member is not recruited from the duty station.
2. The allowance shall be in the form of payment of per diem at the current rate and the Staff Member shall receive the full rate of the allowance for up to a maximum of thirty (30) days. The dependents of the Staff Member if accompanying the Staff Member during the period of allowance to the Staff Member shall receive half the rate for the same period.

For the purposes of this Rule the "day" shall mean "calendar Day".

3. The grant shall, however, cease if the Staff Member finds accommodation before the thirty days are over.
4. No Staff Member shall be paid installation allowance and a housing allowance at the same time.

Rule 36

Education Allowance

1. A staff Member shall be entitled to reimbursement of 75% of education expenses incurred by him/her in respect of a dependent child subject to the ceiling determined by the General Assembly:-
2. Education allowance determined by General Assembly may be paid to a staff Member whose child is undertaking an educational programme at a recognized school or university up to the attainment of a post-secondary diploma or degree. Provided that no such allowance shall be paid if the beneficiary reaches 25 years.
3. The allowance shall not be paid in respect of:
 - (a) attendance at a free school, apprenticeship or private tuition; or
 - (b) more than one school or university during the same period.
4. The allowance shall only be paid upon submission of receipts issued by the educational institution concerned.
5. The amount of allowance per scholastic year for each child up to a maximum of four children shall be determined by the General Assembly from time to time.

Rule 37

Ex-Gratia Payments

The Executive Director may pay an ex-gratia payment to dependents of a deceased staff Member, provided that such ex-gratia payment shall not exceed twenty five (25%) per cent of the annual basic salary that was being received by the deceased staff Member or \$5,000 for staff in the Intermediate Category and General Service Category and \$10,000 for the staff in the Professional Category, whichever is higher.

Rule 38

Loans

The Executive Director may on the recommendation of the Human Resource Committee approve loans to staff members for justifiable causes such as housing and means of transport. However, the Executive Director shall determine a system for the administration of such loans as per the COMFWB regulations.

Rule 39

Gratuity and Provident Fund

1. A Staff Member shall be entitled to gratuity on termination or expiration of contract at the rate determined by the General Assembly from time to time.
2. The Executive Director may on the approval of the General Assembly, set-up a Provident Fund into which gratuity accruing to staff may be deposited together with such contribution from the staff emoluments as may be appropriate.

3. The Executive Director shall appoint a Staff Provident Fund Management Committee to manage the Provident Fund and ensure good returns for staff. The Committee shall be representative of all categories of staff.

Rule 40

Medical Allowance

1. A Staff Member shall be entitled to reimbursement of 80% of medical expenses incurred by him/her in respect of recognized dependents or himself/herself subject to a ceiling determined by General Assembly. However such reimbursement shall be for medical expenses incurred for the following conditions:-
 - (a) Hospitalisation and medication;
 - (b) Dental treatment, filling but excluding dentures and beautification;
 - (c) Ear treatment; or
 - (d) Eye treatment.
2. Medical expenses incurred by a Staff Member for treatment outside the sub region is reimbursable provided that prior authorisation from the Executive Director for such treatment is approved on recommendation of a physician appointed by COMFWB/. However, a medical emergency while on leave or mission shall be an exception and in such a case the expenses shall be reimbursable in accordance with paragraph one of this Rule.
3. The General Assembly may, on the recommendation of the Executive Director, establish a medical scheme or medical insurance scheme with a reputable international company. The establishment of a medical scheme or medical insurance scheme shall substitute the reimbursement scheme stipulated under paragraph 1 of this Rule and the necessary provision shall be made on the extent of staff contribution to the scheme.

Rule 41

Retroactivity of Payments

No financial entitlement, with the exception of salary, shall be paid retroactively unless it is claimed within a period of one year.

Rule 42

Outstanding Loan or Advance

Any outstanding loan or advance at the time of Separation, shall be payable forthwith by deducting from any salary or other benefits due to the Staff Member or his/her beneficiaries.

CHAPTER VII

STAFF TRAINING AND DEVELOPMENT

Rule 43

Staff Training and Development

1. Every Staff Member shall be given an opportunity to attend training that is relevant to the staff member's work for at least forty (40) hours in a year subject to the availability of funds.
2. Such training shall be part of the annual training program developed arising out of the Annual performance Appraisal.

CHAPTER VIII

LEAVE

Rule 44

Annual Leave

1. Staff members shall be entitled to earn annual leave of thirty (30) working days per year.
2. No Staff Member shall accumulate more than sixty (60) working days of leave at the end of each year unless a Staff Member is prevented by the exigencies of duties to go on leave.
3. Upon separation, a Staff Member shall be paid in lieu of accrued leave up to a maximum of sixty (60) working days.

Rule 45

Special leave

The Executive Director may grant special leave with or without pay to a Staff Member if in his or her opinion the circumstances so warrant. This leave shall only be granted under the following circumstances:

- (a) staff must have exhausted their annual leave;
- (b) situation for which leave is sought concerns spouse, dependents or parents;
and
- (c) the leave should not exceed one calendar month.

Rule 46

Home Leave

1. A Staff Member shall be entitled to home leave once every two years.
2. A Staff Member shall be entitled to use his annual leave as home leave.
3. The place of home leave in the case of staff shall be the place where the Staff Member is permanently resident at the time of recruitment.
4. Travel expenses in respect of home leave for the Staff Member and eligible dependents shall be paid by COMFWB.
5. A Staff Member may spend home leave outside his or her designated place of home leave provided the travel cost to COMFWB will not exceed the cost of travel to and from the staff member's place of home leave.
6. A Staff Member may take home leave at any time in the year it falls due subject to exigencies of duty.
7. The Executive Director may approve advance home leave for a Staff Member provided the circumstances so warrant and the Staff Member has rendered at least 18 months of service since his or her last home leave.

Rule 47

Study Leave

1. The Executive Director may grant a study leave with full pay for a period not exceeding three months during the duration of a contract.
2. Study leave granted under paragraph 1 shall not be charged against the staff member's accrued leave.
3. Any application for such leave shall be supported by proper documents and the subject of study shall be related to the staff member's work or profession.
4. The Executive may grant a study leave without pay for a maximum period of one year provided the application is supported by documents.
5. Study leave without pay may be taken for a study that is not related to the staff member's work in COMFWB. However, the field of study should be related to COMFWB programmes.
6. The one year unpaid study leave shall only be granted once to a Staff Member who has been in service with COMFWB for at least two years.

Rule 48

Sick Leave

1. A Staff Member who falls ill or is incapacitated by illness or injury or is otherwise prevented by public health requirement shall be granted sick leave under the following terms and conditions:

- (a) Subject to approval by the Executive Director upon certification by a qualified medical practitioner;
 - (b) a Staff Member serving on a fixed term appointment of less than one year shall be entitled to sick leave credit at the rate of two working days with full pay per month of contractual service;
 - (c) a Staff Member serving a fixed term appointment of one year or more but less than three years shall be granted sick leave of two consecutive months on full pay and one month on half pay;
 - (d) a Staff Member serving for more than three years on a continuous basis shall be granted sick leave of one month per year subject to a maximum of eight months. In such a case the Staff Member shall be in full pay for four months and in half pay for the remaining four months.
2. The Executive Director may approve emergency medical evacuation of a Staff Member or his/her certified dependents upon the recommendation of a certified medical officer.
 3. The travel cost of such medical evacuation shall be paid by COMFWB.
 4. No Staff Member who is on sick leave shall undertake travel outside his or her duty station without the approval of the Executive Director.
 5. A Staff Member who is continuously ill or incapacitated for a period exceeding nine months shall be examined by a medical practitioner upon request of the Executive Director in order to determine his or her suitability for continued service;
 6. Unauthorized leave on grounds of illness shall be deducted from the concerned staff member's earned leave provided it exceeds the limit of uncertified sick leave granted in these Rules.
 7. Except with the special approval of the Executive Director, no Staff Member shall absent himself/herself through illness or injury for a period of not more than two consecutive working days without producing a certificate of illness from a duly registered medical practitioner stating the cause of illness and the probable duration of absence from duty.

Rule 49

Maternity/Paternity Leave

1. A female Staff Member shall be entitled to a maternity leave of fourteen weeks upon presentation of medical certification of pregnancy or proof of adoption of a newly born baby subject to the following conditions:-
 - (a) that she has finished at least one year of continuous service at the expected date of confinement;
 - (b) that at least eight weeks of the maternity leave is post-delivery.
2. A female Staff Member whose continuous service is less than one year at the expected time of confinement shall be granted accrued annual leave and, on her request, special

leave without pay for two months to cover a post-delivery resting period.

3. Paternity leave shall be granted to a male Staff Member for a period of five days beginning from the time of adoption and/or delivery by his spouse subject to application by the Staff Member and medical certification of the birth of a child and proof of adoption.
4. A female Staff Member shall be provided with the right to one (1) or more daily breaks or a daily reduction of one (1) hour of work to breast feed the child until the child is one (1) year old.

Rule 50

Compassionate Leave

A Staff Member shall be entitled to fourteen (14) working days as compassionate leave in the event of the loss of a dependent(s) or parents.

CHAPTER IX OFFICIAL HOLIDAYS AND HOURS OF WORK

Rule 51

Official Holidays

1. COMFWB shall observe the official holidays of the host country.
2. A staff member may also be excused from duty by the Executive Director on his or her national day or on important religious holidays.
3. Any day or days in which staff members are prevented from reporting to work by force majeure or by circumstances beyond their control such as demonstrations, riots etc shall be deemed to be unofficial holidays.

Rule 52

Hours of Work

1. COMFWB shall observe seven and half-hours of work per day, the total hours of work being thirty-seven and half per week.
2. The Executive Director shall decide from time to time the daily working hours of COMFWB having consulted the staff.

CHAPTER X

TRAVEL AND REMOVAL EXPENSES

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Rule 53

Official Travel

1. Official travel of Staff Members and their dependents shall be subject to written authorization by the Executive Director. No official travel shall be undertaken without such authorization.
2. Subject to the relevant provisions of the Financial Rules and Regulations the following shall constitute the grounds for official travel:
 - (i) Official missions;
 - (ii) Initial appointment of a Staff Member from his/her place of recruitment or recognized home country to his/her official duty station of COMFWB;
 - (iii) Home leave;
 - (iv) Separation from service;
 - (v) Change of official duty station;
 - (vi) Authorized medical evacuation; and
 - (vii) Security and safety;
3. Official travel shall be through the most direct and most economical route.
4. The Executive Director shall determine the route, mode and conditions of travel in conformity with the relevant provisions of the Financial Rules and Regulations.
5. COMFWB shall pay all expenses related to official travel including, where applicable, daily subsistence allowance for the duration of such travel in accordance with the relevant provisions of the Financial Rules and Regulations.
6. All staff members except the Executive Director shall travel in economy class by air. If another mode of transport is used, they shall travel according to the terms and conditions prescribed by the Executive Director.
7. The General Assembly shall, on the recommendations of the Board, decide on the daily subsistence allowance applicable to the various places of travel and shall publish such rates on a periodical basis.
8. A Staff Member who undertakes a mission out of station, which is paid for in part by a sponsor other than COMFWB, may be paid such subsistence allowance as is determined by Council, subject to a maximum of fourteen days to meet incidental expenses. Provided that if the mission is fully sponsored this allowance shall not be paid.

9. A Staff Member may be authorized to go on official mission while on leave and may be allowed to resume his or her leave after the mission.
10. Upon completion of official travel, a Staff Member shall submit a financial claim and shall attach thereto any unused or used stubs of travel tickets.
11. Where a Staff Member on official travel has to take up accommodation whose rate is above the allowance the Staff Member is entitled to, he or she shall be entitled to payment of the difference upon presentation of documentary evidence.

Rule 54

Removal of Personal Effects

1. On initial recruitment and on separation from the service, COMFWB shall pay the costs for the removal of personal effects and household goods according to the terms and conditions establishing the authorised luggage weight in Rule 60 of these Rules and Regulations.
2. The Executive Director shall determine from time to time the specific conditions for payment of excess luggage, including the transport of official documents and other effects of COMFWB, particularly during conferences organised by or in collaboration with COMFWB.
3. On initial appointment, COMFWB shall pay the travel expenses for the Staff Member and his dependents from his home country of normal residence to the official duty station. The same shall apply to return travel expenses on separation from service.
 - (a) Any Staff Member who resigns after less than 1 year of service shall not be entitled to payment of the return travel expenses for himself/herself or his/her dependants.
 - (b) The Executive Director may, however, authorise the payment of such expenses if he/she is satisfied that there are compelling or plausible reasons for so doing. For example, in cases where there is an illness or death of a family member.
 - (c) COMFWB shall not pay return travel expenses if without good reasons the travel has not commenced within 3 months of the date of separation from service.
 - (d) A Staff Member who is dismissed from the service of COMFWB under a serious breach of conduct shall be entitled to baggage allowance and one-way air tickets to enable such a Staff Member and his/her dependants to return to their home country.
4. Shipment and insurance of household goods and personal effects shall be arranged by COMFWB and the cost thereof shall be paid directly to the appropriate removal Company.
5. Under no circumstances shall a Staff Member be paid any money in lieu of the shipment of his/her household goods and personal effects.

Rule 55

Travel Allowance on Initial Recruitment and Separation from Service

1. Travel Allowance on Initial Recruitment

On first appointment, a member of staff recruited for two years or more from outside the duty station may be reimbursed expenses in transportation of excess baggage or unaccompanied personal effects and household goods, within one year following date of appointment, as follows:-

- (a) By Land and/or by Sea up to a maximum of:
 - (i) 20 foot container for the staff member;
- (b) By Air up to a maximum of:
 - (i) 150 kilos unaccompanied baggage; and
 - (ii) 10 kilos excess baggage for each eligible person authorised to travel at the expense of the organisation.

2. Travel Allowance on Separation from Service

- (a) By Sea or by Land
 - (i) 20 foot container for the staff member;
- (b) By Air
 - (i) 150 kilos unaccompanied baggage; and
 - (ii) 10 kilos excess baggage for each eligible person authorised to travel at the expense of the organisation.

Rule 56

Transportation in case of death

1. Upon the death of a staff member, his/her spouse or a recognised dependent, COMFWB shall pay the expenses of transportation of the body from his/her official station or in the event of death having occurred whilst in official travel status, from the place of death to the place of home leave.
2. In the case of the death of a staff member, or his/her spouse or his/her dependent, COMFWB shall bear the cost of the coffin, burial place, fees for the undertakers, including the expenses for embalming the body.
3. In the same way, in the case of the death of the spouse of a Staff Member or a person recognised to be his/her dependent outside his/her duty position, COMFWB shall bear the transport expenses of the Staff Member by the most direct and quickest route.
4. In the case of the death of a Staff Member at duty position or in the event of death

having occurred while in official travel status the Secretary General shall designate a representative to accompany the body. The travel expenses of the representative shall be borne by COMFWB.

CHAPTER XI

STAFF RELATIONS

Rule 57

Staff Relations

1. The Executive Director may establish joint internal committees for periodic as well as ad hoc consultations between Management and staff on their concerns and welfare.
2. The Staff shall have the right to choose their own representatives to such joint internal committees referred to under paragraph 1.
3. The Executive Director shall encourage the participation of the Staff in making decisions.

CHAPTER XII

SEPARATION FROM SERVICE

Rule 58

Resignations

A Staff Member shall have the right to resign on his/her own free will from service with COMFWB but in so doing shall give notice to the Executive Director as follows:

- (a) a Staff Member who has been in continuous service of COMFWB for eight years or more shall give notice of at least three months or three months salary in lieu of notice;
- (b) a Staff Member who has been in the COMFWB service less than eight years shall give notice of at least one month or a month's salary in lieu of notice.

Rule 59

Termination

1. The Executive Director may terminate the services of a staff on recommendation of

the Human Resources or the board provided: -

- (a) if the exigencies of the services so demand (budgetary reduction or redundancy);
- (b) if the services of the Staff Member are deemed unsatisfactory or his/her conduct is deemed inconsistent with his/her status by the disciplinary committee;
- (c) if the Staff Members physical or mental health as confirmed by medical report prevents the Staff Member from performing his/her duties;
- (d) if certain facts antecedent to his/her appointment and relating to his/her suitability and moral conduct come to light which, if they had been known at the time of his/her appointment, should under the provisions of these Rules would have precluded his appointment; and
- (e) if he/she loses his/her right and status of a Staff Member of COMFWB as a result of a sentence or imprisonment by a national Court for dishonest reasons for a minimum of three months.

2. A Staff Member whose services are terminated under paragraph 1 shall be given three months written notice or three (3) month's salary in lieu of notice.
3. A Staff Member whose services are terminated for reasons of redundancy or on medical grounds shall be paid any salary or allowance due to him/her for the remainder of the contract if the service is terminated before the end of a fixed-term contract. Provided that no such salary or allowance shall apply in the case of summary dismissal.
4. The Executive Director may terminate the appointment of a Staff Member on probationary appointment on the conditions of termination stipulated in paragraph 1.
5. The service of a Staff Member who fails to report for duty for seven working days without justifiable grounds shall be considered terminated without notice on grounds of abandonment of duty.
6. The service of a Staff Member who has been pronounced by a medical board to be unfit to continue his/her work in COMFWB shall be terminated without prejudice to any terminal benefits which he or she may otherwise be entitled to.
7. The service of a Staff Member may be terminated as a result of a disciplinary action without loss of benefits unless, of course, such loss is part of a disciplinary measure as in the case of summary dismissal.

CHAPTER XIII

MAINTENANCE AND DISCIPLINE AND INSURING JUSTICE

Rule 60

Grounds for Disciplinary Action

1. The following shall constitute grounds for disciplinary action:
 - (a) acts or omissions which violate those provisions of the COMFWB Treaty which require probity, honesty and integrity in personal conduct;
 - (b) violation of oath of allegiance;
 - (c) violation of code of ethics;
 - (d) commission of unlawful acts such as theft, fraud, possession or sale of illegal substances and smuggling; irrespective of whether the Staff Member was on official duty or not;
 - (e) misrepresentation or false certification in connection with any claim or benefit from COMFWB including failure to disclose a fact material to that claim or benefit;
 - (f) assault upon, harassment of, or threats to other staff members;
 - (g) misuse of the funds or the equipment of COMFWB including electronic data and files;
 - (h) misuse of office;
 - (i) abuse of authority;
 - (j) breach of confidentiality;
 - (k) abuse of privileges and immunities; and
 - (l) any other behaviour or act which would discredit COMFWB.
2. The Executive Director may consider other acts or offences as justifiable reasons for instituting disciplinary hearings against a staff member.

Rule 61

Due Process

1. No Staff Member may be charged for an offence under these Rules without communicating to him or her in writing the allegations made against him or her.
2. No disciplinary proceedings may be instituted against a Staff Member unless he or she has been given at least fifteen working days to enable him or her answer the allegations in writing.

3. Except in the case of summary dismissal, no disciplinary measures shall be applied against a Staff Member unless the matter has been considered by the disciplinary committee.
4. In the case of summary dismissal, no staff members shall be charged without communicating to him or her, in writing, the allegations made against him or her after an investigation has been conducted and he or she has responded to the charges or he or she has chosen not to respond to the charges within 15 days before a decision to summarily dismiss an officer can be taken.
5. A Staff Member against whom disciplinary proceedings have been instituted may be assisted by a person of his or her choice and may call witnesses, including from among the staff.
6. A Staff Member against whom disciplinary proceedings have been instituted may call witnesses, including from among the staff.

Rule 62

Disciplinary Committee

1. The Disciplinary Committee shall comprise of one senior staff, the human resource manager and one other staff appointed by the Executive Director
2. The Executive Director shall ensure due process is followed by the Disciplinary Committee while conducting disciplinary proceedings.

Rule 63

Disciplinary Measures

1. Disciplinary Measures may take the form of one or more of the following:-
 - (a) Written censure by the Executive Director;
 - (b) Loss of one or more steps within the grade;
 - (c) Deferment; for a specified period of eligibility for within-grade-increment;
 - (d) Suspension with half pay;
 - (e) Demotion;
 - (f) Termination from service; and
 - (g) Summary dismissal.

Rule 64

Suspension Pending Investigation

1. The Executive Director may request a Staff Member to go on leave with full pay for a maximum period of six months pending the outcome of an investigation for an alleged serious breach of these Rules which justifies the restriction of that Staff Member accused of such breach to be in office or carry out their duties and obligations.

2. In the case of an investigation resulting into a criminal prosecution, the Executive Director on the recommendation of the Human Resources Committee may suspend a Staff Member without pay when such prosecution goes beyond the six (6) months period.

CHAPTER XIV

APPEALS

Rule 65

Summary Dismissal

The General Assembly may dismiss a Staff Member from the Professional Category summarily after due process. In the case of an Intermediate Category or Staff Member from General Service Category the power of summary dismissal after due process may be exercised by the Executive Director.

Rule 66

Review by the Disciplinary Committee

A Staff Member may within two (2) months after a decision has been taken ask for his/her case to be reviewed by the same Disciplinary Committee if there is new evidence, which would have changed the findings of the Committee had it been known to them at the time of consideration.

Rule 67

Complaints

1. The Executive Director shall establish a panel, which will consider complaints against discrimination, harassment or misconduct of any kind which would discredit COMFWB.
2. The Executive Director shall in a circular publish the composition of the Complaints Panel and the procedure it should follow.
3. The Complaints Panel shall conduct its own investigations and shall report on the matter to the Executive Director.
4. The Executive Director shall send copies of the report of the Complaints Panel to the concerned parties, unless the contents are highly sensitive or embarrassing and the losing party may then make a rebuttal to him. He or she should thereafter decide on the report and shall communicate his decisions to all concerned.
5. An aggrieved Staff Member may launch an appeal against the findings of the Complaints Panel to the Administrative Appeals Panel.

Rule 68

Appeals to Administrative Appeals Panel

1. A Staff Member who is aggrieved by an administrative decision or decision of a Disciplinary Committee or policy organ taken under these Rules shall first appeal to an Administrative Appeals Panel set up under these Rules.
2. An Administrative Appeals Panel shall be set up by the Secretary General within six (06) months of an appeal being lodged by a staff member.
3. The Administrative Appeals Panel shall consist of three independent persons who are citizens of Member States and are qualified to practice as legal practitioners or arbitrators in any of the member States. The persons shall be chosen by the Executive Director from a list of nominees submitted one each by the member States to sit on such a Panel.
4. The Executive Director shall provide all the necessary secretarial arrangements for the functioning of the Panel.
5. The Panel shall submit its findings to all parties after which the Executive Director shall take a decision thereon within three months.
6. To enable a staff member to exercise their right of appeal to the Court of Justice under Rule 67, the Chairman of the Administrative Appeals Panel concerned shall, at the request of the staff member, communicate to him or her the report of the Panel, if the Executive Director has not made a decision upon the report within a period of three months after the date on which the report was submitted to him.
7. The Rules of the Administrative Appeals Panel adopted by the General Assembly shall govern the procedures and operations of any Panel established under sub-rule 3 of this Rule.
8. A party to a case in which a decision of the Panel has been delivered may, in the event of the discovery of a fact which by its nature might have had a decisive influence on the decision of the Panel which at the time judgment was delivered was unknown both to the Panel and that party, request the Panel to revise the decision.

Rule 69

Appeal to the Court of Justice

Any party that is not satisfied with the decision of the Executive Director may refer the matter to the Court of Justice within three (3) months of the delivery of the finding of the Administrative Appeals Panel.

Rule 70

Time for Claims

1. No appeal may be submitted to the COMESA Court of Justice one year after the decision of the Executive Director has been made following a decision of an Administrative Appeals Panel.

2. No application to an Administrative Appeals Panel shall be brought against COMFWB one year after the decision or matter for which the applicant seeks redress has taken place

Rule 71

Precedent

The Executive Director shall in making decisions on disciplinary and other matters take previous court judgements into account in order to reduce the amount of litigation and the costs arising there from to COMFWB.

CHAPTER XV FINAL PROVISIONS

Rule 72

Financial Responsibility

1. Any Staff Member may be required to reimburse COMFWB either partly or in full for any financial loss to COMFWB as a result of the staff member's negligence or as a result of his or her violation of any rule, regulation or administrative circular.
2. Any loss or damage caused to COMFWB under paragraph 1 shall be made good in the form of deductions from salary subject to the Executive Director's discretion to waive them.

Rule 73

Age Limit

1. No Staff Member who has reached the age of sixty (60) shall remain in the service of COMFWB Secretariat.
2. The Executive Director shall have the discretion to appoint someone to act from within the organisation until the position is filled.

Rule 74

Certificate of Service

Any Staff Member upon leaving the service of COMFWB shall be given a certificate of service which states the length of service, the staff member's overall performance and his or her last title and grade.

Rule 75

Review of the Rules and Regulations

1. These Rules and Regulations may be reviewed, amended or modified by the Board every five years or when need arises.
2. The Executive Director shall establish the necessary consultative procedures for

review and possible amendment of these Rules and shall take into account the necessity for the consistency of these Rules and Regulations.

3. The right and obligations of a Staff Member shall not be affected adversely by any review, amendment or modification of these Rules and Regulations if at the time of such review, amendment or modification his/her particular rights or obligations happened to be under consideration.
4. The Executive Director shall establish the necessary consultative procedures for review and possible amendment of these Rules and shall take into account the necessity for the consistency of these Rules and Regulations.
5. The revised Rules and Regulations shall take effect on approval of General Assembly.

Rule 76

Authenticity

1. These Rules shall be issued in the official languages of COMFWB.
2. In the event of conflict, the English version shall prevail.

Rule 77

Entry into Force

The revised Rules and Regulations shall take effect upon approval by the General Assembly.

THE COMESA FEDERATION OF NATIONAL ASSOCIATIONS OF WOMEN IN BUSINESS (COMFWB)

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FINANCIAL RULES

PART A: FINANCIAL RULES

PREAMBLE

HAVING REGARD to Article 15 (1)(e) of the COMFWB Charter empowering the COMFWB Board of Directors to make Rules to regulate financial management of COMFWB;

HAVING REGARD TO Article 15(2) of the COMFWB Charter ("the Charter) empowering the Board of COMFWB to make Rules of Procedure subject to the approval of the General Assembly ;

NOW, THEREFORE, COMFWB Board of Directors hereby adopts these Financial Rules, in the Arabic, English, Portuguese and French languages, all the languages being equally authentic.

CHAPTER I GENERAL PROVISIONS

Rule 1

Title

These Financial Rules shall be called the COMFWB Financial Rules (hereinafter referred as the "Rules").

Rule 2

Definitions

In these Rules unless the context provides otherwise:

"Advance" means cash payment given to a staff member to enable him discharge an approved obligation to a supplier;

"Board" means Board of COMFWBers as appointed under Article 12 of the Regulations of COMFWB;

"Bureau of the Board " means Chairman, Vice-Chairman and Rapporteur elected in

accordance with the Rules of Procedure of the meetings of the Board;

"COMFWB" means the The COMESA Federation of National Associations of Women in Business in Eastern and Southern Africa as established under Article 2 of the Charter;

"Common Market" means Common Market of Eastern and Southern Africa (COMESA) as established under Article 1 of the COMESA Treaty;

"COMESA dollar" means the Unit of Account of determined by the Council under Article 74 of the Treaty;

"Committee" means the Committee on Finance and Administration as constituted by the COMFWB Board under Rule;

"Council" means the COMESA Council of Ministers of the Common Market established by Article 7 of the COMESA Treaty;

"Dependants" means one registered dependant spouse and or a maximum of four registered dependant children as provided as defined in the COMFWB Staff Rules ;

"Executive Director" means the Executive Director of the COMFWB;

"Division" means a Division or Department of COMFWB as provided for by Rule 13(2) of the COMFWB;

"Excess expenditure" means expenditure incurred without the authority provided for in these Rules;

"Financial Manual" means manual containing set of detailed administrative and financial policies approved by the Board;

"Imprest" means a sum of money given to a staff member to make authorised disbursements;

"Intergovernmental Committee" means the Intergovernmental Committee established by Article 17 of the Treaty;

"Member State" means a Member State of COMESA;

"Secretary General" means the Secretary General of the Common Market provided for by Article 17 of the COMESA Treaty;

"Sub-Committee" means the COMESA Sub-Committee on Audit and Budgetary Matters which reports to the COMESA Administrative and Budgetary Matters established under Article 15(1a) of the Treaty; and

"Treaty" means the Treaty establishing the Common Market for Eastern and Southern Africa.

"Consulting services" refer to services of a professional nature provided by consultants using their skills to study, design, organize, and manage projects, advise clients, and when required build their capacity.

"disposal" means the sale of stores whether excess, surplus, obsolete or salvage property by the Secretariat or under the authority of the Secretariat and includes the transfer by way of donation, abandonment or destruction of such stores or property;

“Dispute” means a disagreement concerning the legal rights and obligations of contracting parties which, if not settled by mutual agreement, must be referred to a neutral third party for resolution;

“fraudulent practice” includes a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the Secretariat, and includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and deprive the Secretariat of the benefits of free and open competition;

“Purchase description” means the words used in a solicitation to describe the goods, services, consultants or works to be purchased and includes specifications attached to, or made part of, the solicitation;

“works” means the construction, repair, renovation or demolition of buildings, roads or other structures, installation of equipment and materials, decoration, as well as services incidental to works;

Rule 3

Objective

- (a) These Rules are the directives established by the Board to govern the financial administration of COMFWB.
- (b) These Rules shall be used by all officers who are directly or indirectly engaged in financial operations of COMFWB.

Rule 4

Applicability

These Rules together with the financial and administrative policies contained in the Financial Manual approved by the Board shall govern all financial administration and management of COMFWB.

Rule 5

Standard of Conduct

All officers, directly or indirectly involved in the financial administration of COMFWB shall conduct themselves in a manner consistent with the highest professional, ethical and moral standards.

Rule 6

Financial Reporting Framework

- (a) The Executive Director shall apply generally accepted financial reporting framework which together with other financial and management controls shall ensure that the financial transactions of COMFWB are carried out in a consistent and acceptable basis, and are properly accounted for in accordance with International Financial Reporting Standards(IFRS). Projects will follow the accounting requirements of their respective development partners and or Generally Acceptable Accounting Principles(GAAP).

- (b) The Executive Director, as Chief Accounting Officer of COMFWB shall be responsible to the Council through the Board for the proper administration of the funds of COMFWB, provided that the Executive Director may delegate any of the powers required to be performed under these Regulations.

Rule 7

Financial Year

The financial year of COMFWB shall start on the 1st January and end on the 31st December of each year

CHAPTER II

BUDGET

Rule 8

Preparation and Submission of Draft Budget

- (a) The draft annual budget of COMFWB shall be prepared by the Executive Director. The Executive Director shall submit the draft budget to the Board for approval before presenting to Council through the Sub-Committee on Audit and Budget, the Committee on Administrative and Budgetary matters and the Intergovernmental Committee for approval.
- (b) The Board shall approve the utilisation of the subscriptions and any other funds collected by COMFWB and include approved utilization in the main budget that shall be submitted to Council through the Sub-Committee on Audit and Budget, the Committee on Administrative and Budgetary matters and the Intergovernmental Committee.

Rule 9

Contents of the Budget

- (a) The draft regular budget shall show clearly the amount of money to be spent on each recurrent, capital and programme items as well as income for the financial period to which it relates and shall be expressed in COMESA dollars.
- (b) The budget for the utilisation of the fees collected shall contain the projected income and expenditure to be financed from the fees.

Rule 10

Basis of the Budget

The draft budget, including recurrent, capital and programme shall be prepared on the basis of the annual work programmes prepared on best estimated costs. The Executive Director shall annually call for the estimates of expenditure from heads of Divisions and/or Units and set out the dates by which the estimates should be submitted and the conditions governing their preparation.

Rule 11

Submission of Draft Estimates by Heads of Division

- (a) Division and/or Unit heads shall submit to the Director Finance and Administration draft work programmes and cost estimates of their respective Divisions for the following financial year.
- (b) The estimates of staff costs and operational costs of COMFWB shall be prepared by the Finance and Administration Manager.

Rule 12

Final Draft Budget

- (a) On the basis of the work programmes and estimated costs submitted by the Division or Unit Heads, Director Finance and Administration shall prepare the initial draft budget which shall be examined at a meeting of the Division and/ or Unit heads under the Chairmanship of the Executive Director.
- (b) The Director Finance and Administration shall then prepare a draft budget to be approved by the Board and thereafter presented to the the Sub-Committee on Audit and Budget, the Committee on Administrative and Budgetary matters and the Intergovernmental Committee.

Rule 13

Communication of Draft Budget

The draft budget shall be communicated to members of the Sub-Committee on Audit and Budgetary matters at least one month before the meeting of the Sub-Committee.

Rule 14

Draft Budget to Council

The Chairperson of the Administrative and Budgetary Matters Committee shall present the draft budget to the Council for approval through the Intergovernmental Committee.

Rule 15

Division of Draft Regular Budget

The draft regular budget shall be divided into Recurrent, Capital and Programme Budgets.

Rule 16

Division of Recurrent Budget

The Recurrent Budget shall be divided into budget items.

Rule 17

Division of Capital Budget

The Capital budget shall be divided into budget items.

Rule 18

Division of Programme Budget

The Programme budget shall be divided into budget items.

Rule 19

Statements to accompany Draft Budget

The draft budget shall be accompanied by-

- (a) a detailed statement of estimated expenditures provided under each budget item and for purposes of comparison, the appropriations for the previous and current financial years shall be indicated alongside the estimates for the next financial year;
- (b) a statement of estimated income presented under the appropriate headings; and
- (c) an explanatory statement shall be presented for new expenditures or for extension of activities already undertaken.

Rule 20

Approval of Draft Budget

The Council shall examine the draft budget and approve a final budget for the following financial year.

Rule 21

Supplementary Budget

- (a) The Executive Director shall submit supplementary budget proposals, which shall not exceed [3%] of the actual budget in the following events-
 - (i) When the voting of additional money is so urgent that the provision cannot be delayed until the next annual budget is approved; or
 - (ii) When the monies required cannot be found by the budget reallocation process.
- (b) In any year where Council or the Board of Directors of COMFWB (in the case of financial autonomy of the institution) are not able to call a meeting to approve the budget of COMFWB, the Bureau of Council or the Bureau of the Board of Directors, which ever shall be applicable, on recommendation of the Executive Director and shall allow him/her to incur operational expenditure for a period of three months subject to the submission of a supplementary budget.

Rule 22

Format of Supplementary Budget

The Supplementary budget shall be in the same form as the annual budget. The Supplementary budget shall be presented to the Bureau of Council of Ministers or the Board of Directors of COMFWB (in the case of financial autonomy) for approval and shall be subsequently submitted through the Committee and the Intergovernmental Committee to the Council for ratification

Rule 23

Reallocation of Funds

Reallocation of funds can be done from one budget item to another which, as a result of circumstances, could not have been foreseen when the budget was prepared and approved.

Rule 24

Limits of Reallocations

In any financial year, the Bureau of the Board of Directors of COMFWB upon the recommendation of the Director of Finance and Administration through the Executive Director is authorised to reallocate funds from one budget item to another up to COMESA Dollars 25,000 or fifteen percent of the budget item whichever is higher. Reallocation of funds of more than COMESA Dollars 25,000 or fifteen percent of the budget item whichever is higher shall be done under the approval of the Board. All reallocations shall be reported to the Council of Ministers and the General Assembly.

Rule 25

Prohibition of Reallocation

Reallocation shall not be done to:

- (i) create a new budget line;
- (ii) create a new post; or
- (iii) alter any salary scale.

Rule 26

When Reallocation to be done

All reallocations must be effected prior to incurring the expenditure in order to avoid excess expenditure.

Rule 27

Excess Expenditure

The Executive Director shall not incur excess expenditure.

CHAPTER III

DISBURSEMENT OF APPROPRIATIONS

Rule 28

Obligations and Payments Limits

Within the limits of the approved appropriations and subject to Rule 23, the Executive

Director, may incur obligations and make payments for the purpose for which the funds were voted and up to the amounts so voted.

Rule 29

Obligations

Appropriations shall be available for obligations during the financial year for which they have been approved.

Rule 30

Availability of Appropriations

Appropriations shall remain available following the end of the financial year to which they relate in so far as they are required to discharge obligations in respect of goods supplied and services rendered during the financial year, and for settlement of any other obligations of the financial year which have not yet been settled as per the provisions of the International Financial Reporting Standards (IFRS) and/or Generally Acceptable Accounting Principles (GAAP).

Rule 31

Surrender of Appropriation

- (a) The balance of any appropriation shall be surrendered after the liability has been settled.
- (b) Any unliquidated obligations of the financial year in question shall be transferred as an obligation against the reserve account.

Rule 32

Outstanding Obligations

- (a) An outstanding legal obligation shall be based on a contract, purchase order, agreement, or any other form of undertaking by COMFWB or by an authority recognised by COMFWB.
- (b) The obligation thus created must be supported by the appropriate document.
- (c) This obligation shall be carried as unliquidated during the period referred to in Rule 29, unless it has been previously liquidated.

Rule 33

Responsibilities of the Executive Director

The Executive Director shall be responsible to the Board for the management of the resources of COMFWB in accordance with these Rules and the internal controls established pursuant to Rule 66.

Rule 34

Approval of Expenditure

Proposals for incurring expenditure shall require approval by the Executive Director, or any authorised officer on certification as to the availability of funds by the Finance and Administration Manager.

Rule 35

Approval of Imprest

- (a) Heads of Divisions or Units may make request for imprest to meet normal expenditures expected during the running of activities outside the duty station.
- (b) This request shall be accompanied by a cost estimate of activities to be financed and shall require approval by the Executive Director, on the recommendation and certification as to the availability of funds by the Finance and Administration Manager.

Rule 36

Unused Imprest

- (a) Any unused imprest shall be submitted to the Director Finance and Administration within one (1) working day after return from the mission.
- (b) The Finance and Administration Manager shall bank the money on the same day or the following working day

Rule 37

Responsibility of Imprest holder

- (a) The imprest holder shall within two (2) working days, after return from the mission, retire the imprest with accompanying documents to the Division of Finance and Administration.
- (b) Any shortfall of fund not accounted for shall be made good by the imprest holder from his/her salary.

CHAPTER IV INCOMES

Rule 38

Sources of Income

Financial resources of the Federation shall be derived from:

- (a) subscriptions payable by Members;
- (b) approved fees for services rendered by the COMFWB;
- (c) fines and penalties for non payment or late payment of membership fees;
- (d) budgetary allocation by COMESA Member States;

- (e) capital, loans, gifts, legacies, donations and income from fundraising activities of the Federation; and
- (f) any other miscellaneous Income that COMFWB may generate from publications, rent or consultancy services, amongst others.

Rule 39

Member States Contributions

- (a) COMFWB shall receive its contribution from the Secretariat on the basis of the approved budget and member states contributions.
- (b) Any unused contributions shall be transferred to the reserve of the Secretariat.

Rule 40

Grants

- (a) Grants refer to funds received from development partners with the approval of the Board to assist COMFWB carry out its mandate.
- (b) These funds are accounted for according to the grant agreements signed.

Rule 41

Fees

Fees refer to funds payable to COMFWB in respect of Membership fees from COMFWB Chapters. The usage of the Membership fees shall be approved by COMFWB Board. Any unutilised funds shall be transferred to the Reserve Fund of COMFWB.

Rule 42

Fines and Penalties

Fines and Penalties refer to funds which COMFWB charges its Chapters for non payment and late payment of Membership Fees.

Rule 43

Miscellaneous Income

Miscellaneous Income refers to proceeds from the renting of COMFWB's property, or from interests on loans accorded to personnel, or from other services rendered such as programmes, publications, consultancy and other services.

Rule 44

Refunds of Expenditure from Previous Financial Year

Funds representing refund of expenditures for the current financial year may be carried over to the credit of these accounts, but funds representing refund of expenditures relating to a previous financial year shall be carried over into the account of miscellaneous income.

Rule 45

Acceptance of Donations

The Executive Director may accept any donation to COMFWB, but when conditions are attached to such offers he or she shall seek the approval of the Board before acceptance.

Rule 46

Monetary Donations

Monetary donations accepted in respect of which no purpose is specified shall be considered as "grants" and shall be treated as Miscellaneous Income in the accounts.

Rule 47

Official Receipts

All incomes of COMFWB shall be acknowledged by the Director Finance and Administration who shall issue an official receipt supported by a bank advice slip. The official receipt shall be stamped and signed by the Division of Finance and Administration and shall be issued to the client.

Rule 48

Refunds

Any refund of fees or any other income arising from any payments to COMFWB shall be approved by the Bureau of the Board.

Rule 49

Controls over unused receipt books

- (a) Register of Receipt Books shall be maintained by Finance Division to record receipting and issuing of receipt books.
- (b) These Books shall be kept securely under lock and key and shall be physically verified on a regular basis. No alterations shall be made on receipts.
- (c) All cancelled receipts shall not be detached from the receipt book and shall be marked "CANCELLED".
- (d) All completed receipt books shall be kept by the Director Finance and Administration for safe custody.

Rule 50

Additional Rules to Receipt Books

- (a) Only one receipt book shall be in use at any one time, and a new book started only when the old is completed.
- (b) All documents recording revenue should be serially numbered and the issues subsequently controlled.

Rule 51**Checks on Documents**

- (a) The Director Finance and Administration shall carry out regular spot checks on documents for any instance of manipulation of carbons, alteration of official receipts or damage to receipt books, which may indicate sign of irregularities.
- (b) The Director Finance and Administration is responsible for ensuring that all revenues and income due to COMFWB are collected and properly accounted for in accordance with the laid down rules, regulations, and procedures.

Rule 52**Disposal of Used Receipt Books**

- (a) Used receipt books should be securely stored for a period of seven years. Director Finance and Administration shall recommend to the Director for his/her approval to destroy these documents at the expiry of seven years period.
- (b) Unused books that become obsolete or which are damaged shall be destroyed once approval is obtained from the Director under the personal supervision of Finance Manager.

CHAPTER V

RESERVE FUND

Rule 53**Establishment of Reserve Fund**

A reserve fund for COMFWB shall be established by the Board and shall be housed in the host country.

Rule 54**Receipts into the Reserve Fund**

The Reserve Fund shall be credited with:

- (a) Payment of areas/ contributions from Members;
- (b) excess contributions of Members over the total expenditure of the COMFWB Secretariat;
- (c) interest earned from the investment of COMFWB's funds;
- (d) monetary donations; and
- (e) proceeds from services rendered by COMFWB.

Rule 55

Use of the Reserve Fund

The Reserve Fund shall be used for the following specific purposes:

- (a) payment of recurrent expenditure at the beginning of the year, pending receipt of contributions from member States;
- (b) unbudgeted for but urgent and unforeseen expenditure, which cannot be deferred to the following financial year without adversely affecting the operations of COMFWB subject to the approval of the Bureau of Council or Bureau of COMFWB which ever is applicable;
- (c) incurrence of capital expenditure in respect of which covering policy has been previously approved by the Council;
- (d) payment of expenditure on approved supplementary budget; and
- (e) long and short term investment upon approval by the Board.

Rule 56

Grants and their Recovery

- (a) The Executive Director shall accept grants from the cooperating partners to finance the activities of COMFWB provided these grants are shown in the Financial Statements of COMFWB or in their respective projects accounts.
- (b) In any case where an Agreement with another institution provides for the provision of resources to another institution as a grant within the framework of a parent Agreement providing a grant to COMFWB, a Memorandum of Understanding will be concluded by the Executive Director with the recipient institution providing that the funds received by it will be utilized using accounting, procurement and administrative standards of COMFWB or internationally acceptable standards agreed between the parties.
- (c) Where an institution has received a grant from COMFWB and such institution fails to account for or utilise the funds as provided in paragraph 1 of this Rule, the Executive Director shall be entitled to withhold further release of any outstanding funds and to recover the funds that have not been properly applied.

Rule 57

Disbursement of Funds

- (a) the Division of Finance and Administration shall conduct a due diligence on a sub-grantee , prior to disbursement of funds which will cover sub-grantee governance structures, financial and risk management systems and general internal controls systems. Funds to the subgrantee will be disbursed subject to the approval of the work plan and budget by COMFWB Bureau of the Board.
- (b) Implementing partners have the responsibility to administer the financial resources in accordance with sound financial management and accounting procedures as stipulated in the Memorandum of Understanding and/or implementation agreement.

- (c) COMFWB shall conduct its advisory and coordinating role regarding the overall role of financial management of the grant through its Finance and Administration Division. The Finance and Administration Division shall carryout assesments of the financial transactions and financial statements of implementing partners.
- (d) COMFWB shall also conduct external or inernal audits as may be necessary from time to time. The sub-grantee shall avail COMFWB or its auditors all reports and documents that may be necessary in order to fulfil its obligations to its funding partners. Financial accounting documents concerning activites financed by the grant must be kept by the receiptient and/or implementing partner until for atleast seven years after the end of the programme.

CHAPTER VI

BANKING

Rule 58

Bank Accounts

Subject to the approval of the Board, bank accounts in which funds shall be deposited, shall be opened and be under the custody of the Executive Director.

Rule 59

Operation of the Bank Accounts

- (a) The Director Finance and Administration shall obtain monthly statements of the accounts of COMFWB accompanied by copies of withdrawal orders and showing debits and credits.
- (b) Two signatures shall be required on all cheques and on all withdrawal orders.
- (c) The Executive Director shall recommend, from among the senior staff of COMFWB, bank signatories for the operation of the bank accounts.
- (d) Private money shall not be paid into COMFWB bank accounts and no COMFWB money shall be paid in a private bank account.
- (e) All accounts of COMFWB shall be maintained in the host country, the Republic of Malawi. Any need to maintain an account outside the host country shall require justification and express approval by the Board.

Rule 60

Handling of Funds on Receipt

- (a) An official receipt shall be issued on the date of receipt for all funds received.
- (b) Only officers duly designated by the Executive Director shall be authorised to issue such receipts.

- (c) The amounts received shall be entered into the accounts on the date of receipt.
- (d) The Director Finance and Administration shall be responsible for checking the received amounts against his accounting books and the daily receipts.
- (e) All amounts received shall be deposited in full in an approved bank account on the first working day following the date of payment.
- (f) All funds not yet deposited in approved bank accounts shall be kept in the official safe and banked immediately on the next working day.
- (g) The Director Finance and Administration shall prepare bank reconciliations monthly within two weeks after the end of the month.

CHAPTER VII

INVESTMENT OF FUNDS

Rule 61

Short Term and Long Term Investment

- (a) The Executive Director, upon approval of the Board, may effect short term investment of funds which are not required for the immediate needs of COMFWB.
- (b) The long term investment of funds which are not required for the immediate needs of COMFWB shall require Board approval.

Rule 62

Interest from Investment

The interest from investment shall be reflected in the miscellaneous income account.

Rule 63

Securities

All securities shall be deposited either in the custody of duly appointed bankers, which have been approved by the Board, or in safe deposit vaults maintained by a recognised financial institution.

CHAPTER VIII

Rule 64

LOSS OF CASH AND ASSETS

- (a) Any loss of cash or asset shall be immediately brought to the attention of the Executive Director who shall take the necessary measures towards holding an investigation and, if necessary, have recourse to the local police for help in the investigation and

subsequent measures that may be taken.

- (b) Funds owed to COMFWB shall not be written off without the authorisation of the Board

CHAPTER IX

INTERNAL CONTROLS

Rule 65

Financial Administration and Budgetary Controls

The Executive Director shall:

- a) establish detailed implementation procedures in order to ensure effective financial administration and budgetary control;
- (a) take care that all payments are made on the basis of supporting vouchers and other documents, which ensure that the services of goods have been received and that payments have not previously been made;
- (b) designate employees authorised to receive funds to incur obligations and make payments in the name of COMFWB;
- (c) follow these Rules in the day to day financial operations of the organisation; and
- (d) maintain an effective internal system of financial control to ensure:
 - (i) the regularity of the receipts, custody and disposal of all funds and other financial resources of COMFWB;
 - (ii) the conformity of obligations and expenditure with the approved budget;
 - (iii) the economic use and safeguard of the resources of COMFWB;
 - (iv) adherence to policies;
 - (v) completeness and accuracy of records; and
 - (vi) adequate precautions are taken to safeguard important records.

CHAPTER X

CONTRACTS AND PURCHASES

Rule 66

Authorised officers

The Executive Director may incur commitments relating to the purchase, the rent, or the sale of services, supplies, material or other necessary articles in the name of COMFWB.

Rule 67

Limitations on Contracts and Purchases

- (a) Contracts or purchases up to COMESA Dollars \$7,500 (Seven thousand five hundred USD equivalent) shall be authorised by the Director Finance and Administration .
- (b) Contracts or purchases of a value of over COMESA Dollars \$20,000 (twenty thousand) shall be authorised by the Executive Director.
- (c) Purchases of a value exceeding COM Dollar 20 000(Twenty thousand USD equivalent) but less than COMESA Dollars \$30,000 (thirty thousand USD equivalent) shall be approved by the Executive Director upon recommendation by the Procurement Committee under the Cairperson of the Director of Finance and Administration .
- (d) Contracts or purchases of over COMESA Dollars 30,000 (thirty thousand) and a value of up to COMESA Dollars 50,000 (fifty thousand) shall be authorised by the Bureau of the Board on recommendation of the Procurement Committee of COMFWB through theExecutive Director.
- (e) Contracts or purchases of a value exceeding COMESA Dollars 50,000 (fifty thousand) but less than COMESA Dollars 200,000 (two hundred thousand) shall be authorised by the Board of COMFWBExecutive Director upon recommendation of the Purchase Committee.
- (f) Contracts or purchases of over COMESA Dollars 200,000 (two hundred thousand) but less than COMESA Dollars 1,000,000 (One million) shall be considered and approved by the Contracts Committee through open tender within COMESA region.
- (g) Contracts or purchases in excess of COMESA Dollars 1,000,000(one million) are to be made through open international tender, shall be considered and approved by the Contract Committee provided that tenders from within the COMESA shall be accorded a 10 per cent preference.
- (h) Evaluation reports relating to paragraphs 5 and 6 of this rule shall be considered by the Contracts Committee of which will recommend to the Secretary General for approval.

Rule 68

Procurement Committee

- (a) The Procurement Committee of COMFWB is hereby established.

- (b) The Procurement Committee shall be composed of the Director Finance and Administration as Chairperson, Procurement Officer or equivalent as Secretary and other officers co-opted as necessary. The Legal Manager shall be ex-officio member of the Procurement Committee.
- (c) The responsibility of the Procurement Committee shall be to make recommendations to the Executive Director and the Bureau of the Board on acquisitions and contracts which involve supplies or contracts of a value exceeding COMESA Dollars 30,000 (thirty thousand) and not exceeding COMESA Dollars 50,000 (fifty thousand).

Rule 69

Contracts Committee

- (a) The Contracts Committee is hereby established.
- (b) The Contracts Committee shall be composed of :
 - (i) Three persons being representative of three members of the Bureau of the Board;
 - (ii) A representative of the Host Country;
 - (iii) The Executive Director;
 - (iv) The Legal Counsel as an ex-officio member;
 - (v) The Director of Finance and Administration as Secretary;
- (c) The responsibility of the Committee shall be to examine and approve contracts of a value exceeding COM Dollar 50 000 (fifty thousand).
- (d) The Legal Counsel and the Director of Finance and Administration shall have no voting rights.

CHAPTER XI

APPROVAL OF OBLIGATIONS AND PAYMENTS

Rule 70

Approval by Designated Officers

- (a) Only those officers of COMFWB designated by the Executive Director as approving officers may approve obligations and payments.
- (b) An approving officer shall verify that no previous payment has been made on that item and that the payment documents do not have irregularities.
- (c) approving officer shall not approve any payment if any information known to Her/him will bar such payment

- (d) The Director Finance and Administration may only register commitments of payments in the accounts when obligations of payment have been approved by the relevant designated officers

Rule 71

Payments

- (a) All payments shall be made by cheque or bank transfers except where otherwise approved by the Executive Director.
- (b) Payments shall be made on the basis of duly certified vouchers and such supporting documents indicating that goods have been received or services in question have actually been rendered in accordance to specifications.
- (c) In the event that advance payment is required, payment shall only be made upon production of a written request of such advance payment by the supplier.
- (d) Payments shall be recorded into accounts as of the date the payment is made.

Rule 72

Receipts

Receipts shall be obtained for all transactions.

CHAPTER XII

RECEIPT OF SUPPLIES AND EQUIPMENT

Rule 73

Inspection of Supplies and Equipment

- (a) All supplies, equipment, and other property received by COMFWB shall be immediately inspected to ensure that their condition is satisfactory and in accordance with the terms of the related purchase contract.
- (b) A Goods Received Note shall be prepared on all items received, and the items shall be immediately entered in the appropriate stores ledger and property records.
- (c) An acceptance committee shall be established by the Executive Director for the purpose above.

Rule 74

Issue of Supplies and Equipment

- (a) Supplies, equipment and other property shall be issued only to authorised employees. The procedure for distribution of supplies, equipment and other property shall be as

follows:

- (i) Supplies and equipment shall be issued on the basis of a Requisition and Store Form;
 - (ii) Employees of COMFWB to whom such supplies and equipment are issued shall acknowledge receipt thereof by signing the Store Form.
- (b) A copy of the signed Form shall be retained by the store and the original kept by the recipient.

Rule 75

Return of Supplies and Equipment

Procedure for the return of supplies and equipment to the store shall be as follows:

- (a) All supplies and equipment to be returned to the store and recorded in the books;
- (b) The employee in charge of the store shall examine all supplies and equipment returned, prepare a report indicating in particular all flaws or damages that are not due to normal wear and tear, furnish a copy of the report to the employee returning the property, and retain the original in the store.

Rule 76

Requisition of Goods or Services

- (a) Stores shall deliver supplies, equipment or other goods and general services only on Requisition and Issue Voucher Form.
- (b) The Requisition and Issue Voucher Forms shall be signed by heads of divisions.

CHAPTER XIII

PROPERTY RECORDS

Rule 77

Maintenance of Records

A complete and accurate record of supplies, equipment and other property purchased, received, delivered, sold or otherwise disposed of and remaining on hand shall be maintained by the Director Finance and Administration on behalf of the Executive Director

Rule 78

Board of Survey

- (a) The Executive Director shall appoint a Board of Survey to carry out stock taking and a physical inventory of assets.
- (b) The Board of Survey shall be composed of one officer from Legal, one officer from the Finance Division and two more officers to be co-opted from other divisions.

- (c) The Board of Survey shall submit its report to the Executive Director who shall submit to the Board for consideration and approval.
- (d) The following action shall be taken upon receipt of the report:
 - (i) If any shortage appears, an in-depth investigation shall be undertaken to determine those responsible and disciplinary action taken against any wrongdoers by the Executive Director;
 - (ii) If those responsible for the shortage are not identified or are found not responsible, the Board may authorise that the losses be written off; and
 - (iii) If there is property either damaged or which cannot be put to use, approval shall be given by the Executive Director for its write off and disposal.

Rule 79

Report of Board of Survey

The Board of Survey Report shall provide information on each item of stock and property surveyed, such as:

- (a) stock/asset number;
- (b) description of stock/asset;
- (c) serial number where applicable;
- (d) quantity;
- (e) total value and the value of each item in COMESA dollars;
- (f) state of stock/assets; and
- (g) recommendations thereon.

Rule 80

Sale of Property

The sale of supplies, equipment, or other property declared obsolete or unserviceable shall be made by the Finance and Administration Division after competitive bidding; provided that competitive bidding shall not be necessary where:

- (a) it is preferable, in the interest of COMFWB to sell the items at a fixed unit price; and
- (b) the destruction of such supplies, equipment or other property is more economical, or is required by law or by the nature of the property concerned.

Rule 81

Cash Sales

- (a) Goods belonging to COMFWB shall be sold for cash and must be paid for upon or before delivery.
- (b) The proceeds from the sale of such property shall be recognised as revenue.

CHAPTER XIV

ACCOUNTS AND FINANCIAL STATEMENTS

Rule 82

Maintenance of Accurate and Proper Records

The Director shall maintain correct, accurate and complete documents and records for the recording of all the financial transactions of COMFWB. These records shall include inter alia-

- (a) Cash Books;
- (b) Journal and ledgers;
- (c) Cheque Book and Cheque Registers;
- (d) Assets Register;
- (e) Chart of Accounts;
- (f) Inventory Reports; and
- (g) Store Ledgers

Rule 83

International Financial Reporting Standards

The accounts of COMFWB shall be maintained and presented in COMESA Dollars according to International Financial Reporting Standards or other Generally Accepted Accounting Practices approved by the Board.

Rule 84

Financial Statements

Audited financial statements shall be submitted by the Director to the Council by June every year or at other such intervals as the Council may direct.

The financial statements shall include:

- (a) the income and expenditure statement;
- (b) the financial position showing assets and liabilities of the COMFWB provided that the assets shall include both the Fixed and Current Assets whilst the liabilities shall include both the long term and current liabilities;
- (c) the movement of cash flows;
- (d) the original budget appropriation clearly explaining the details of each item in the budget;
- (e) any other necessary statement;

- (f) a summary of investments; and
- (g) Such other schedules as may be required.

Rule 85

Exchange of Currencies

- (a) The Executive Director shall adopt the exchange rates between the COMESA Dollars and other currencies.
- (b) When the COMESA Dollars are exchanged into any other currency, the amount taken into account shall be the amount actually obtained. When any currency is disbursed from a local currency account in the name of COMFWB, the cost in COMESA Dollars shall be debited at the rate of exchange adopted in paragraph(1) of the Rule; and
- (c) When payment is made from an account maintained by the COMFWB in COMESA Dollars, the actual cost in COMESA Dollars shall be debited to the account in the books of COMFWB.
- (d) At the closing of the accounts for the financial period, any gain or loss on exchange shall be carried into the income and expenditure account.

Rule 86

External Auditors

- (a) The Executive Director shall submit the financial statements for the financial year to the External Auditors in accordance with the instructions of Council within four (4) months after the end of the financial year
- (b) The Council shall appoint the External Auditors as provided for in Article 169 of the Treaty to audit the accounts of COMFWB.

Rule 87

Other Statements

The External Auditors shall also be provided with:

- (a) A summary statement of supplies, equipment and other property;
- (b) Details of losses of cash, stores and other assets written off; and
- (c) Such other statements as they may require.

Rule 88

Conduct of External Audit

- (a) The External Auditors shall conduct the audit in conformity with generally accepted International Auditing Standards and subject to any special directions of the Board. The qualified auditors shall;
 - (i) determine their own procedure; and
 - (ii) submit the report of the audit to the Executive Director.

- (b) The report of the External Auditors together with the audited financial statements shall be submitted by the Executive Director through the Sub-Committee on Audit and Budget, the Committee and Inter-governmental Committee to the Council, in accordance with any directions given by the Council.

Rule 89

Retention and Destruction of Records

- (a) Subject to the policy adopted by Council regarding the retention and destruction of records, the accounts and financial records shall be retained for a period of not less than 10 years.
- (b) The accounting and other financial records shall be retained for such period as may be determined by the Council in consultation with the Internal/External Auditors.

CHAPTER XV

INTERNAL AUDIT

Rule 90

Internal Audit Services

- (a) The Internal Audit Services shall, inter alia, review and make comments and recommendations on activities, transactions, projects and programmes having financial implications as to the:
 - (i) regularity of the receipts, custody, disposal, accounting and reporting of all funds and other financial resources of the organisation and the effectiveness of internal controls;
 - (ii) conformity of obligations and expenditures;
 - (iii) economic use of the resources of the organisation; and
 - (iv) conformity of all activities and transactions with the Rules.
- (b) The Internal Audit Services shall perform its functions in accordance to its Audit Charter, Policy and Practice contained in the Internal Audit Manual.

CHAPTER XVI

MISCELLANEOUS PROVISIONS

Rule 91

Employment of Temporary Personnel

The employment of temporary personnel shall be in accordance with COMFWB Staff Rules and COMFWB Procurement Rules.

Rule 92

Ex Gratia Payments

The Executive Director may on the advice of the Director Finance and Administration , make ex-gratia payments as she or he deems necessary in the the interest of COMFWB, provided that each amount does not exceed 20% of the annual basic salary that was being received by the deceased staff and that statements on such payment shall be submitted to the Board.

Rule 93

Official Travel

- (a) Subject to:
 - (i) the relevant provisions of the Staff Rules and Regulations;
 - (ii) the approved Work Plan;
 - (iii) availability of the budget;
 - (iv) relevance of travel to COMFWB mission; and
 - (v) general requirement that the travel will not adversely affect the overall work of COMFWB.
- (b) An officer shall prepare an Aide Memoire which will be recommended by the Head of the Division or Units and approved by the Executive Director.
- (c) In case of the Executive Director, the Mission Request Form shall be approved by the Director Finance and Administration.
- (d) The officer shall then fill the "Travel Authorisation Form" in two copies, which shall be approved by the Executive Director before the travel can be undertaken. The purpose of the mission together with the mode of funding shall be clearly specified.
- (e) The ticket for the travel shall be arranged by the Division of Finance and Administration through the normal procurement procedure.
- (f) Mission reports shall be prepared after each travel on official mission.
- (g) Official returning from mission has to retire the Daily Subsistence Allowance within 10 days from return of the mission. Failure to do so may result in deduction of the whole amount from salary.
- (h) Imprest for the purpose of making authorised disbursement during official travel may be made to officials who shall make use of such imprests only for the purpose for which the imprests were authorised and shall be held personally responsible and financially liable for the proper management and safekeeping of the cash so advanced. This imprest shall be retired under Rule 36 and 37.
- (i) The official to who imprest advances are issued shall render accounts as required by the Financial Rules/ Financial Manual or any other implementation procedure issued

by the Executive Director.

- (j) In addition to advances specified in these Rules, the Executive Director may make such other cash advances as may be permitted by the COMFWB Staff Rules.

CHAPTER XVII

FIXED ASSET MANAGEMENT

Rule94

Security of Assets

- (a) COMFWB shall be responsible for ensuring that its buildings and assets are adequately insured with a reliable insurance company.
- (b) The Finance and Administration Division shall be responsible for keeping a fixed asset register of all fixed assets belonging to COMFWB. This register should always be up-to-date. There shall be an inventory list of assets in all the offices of COMFWB. This list of assets should be reconciled at least half yearly.
- (c) The title deeds to the fixed assets shall be kept with the Registrar of COMFWB. The Registrar of COMFWB should also make sure that the insurance policies reflect adequately the value of the assets and the risk covered.
- (d) The Finance and Administration Division is responsible for ensuring that there is sufficient security of the premises and fixed assets of COMFWB. Any loss of an asset shall be communicated in writing to the Director with a copy to the Registrar of COMFWB. Upon consultation with the Director, the Registrar shall report the matter to the police and the insurance company.

Rule 95

Pool Vehicles

- (a) All vehicles owned by COMFWB, except those provided for the Director shall form a pool of vehicles administered by the Finance and Administration Division.
- (b) Pool vehicles shall be used for official purposes only. Any other usage shall be authorized in writing by the Director.
- (c) Vehicle registration documents shall be kept in a locked place by the Registrar of COMFWB.
- (d) The Finance and Administration Division shall ensure that all vehicles owned by COMFWB are insured and kept in good running condition.
- (e) Misuse of vehicles of COMFWB, including any damage or loss attributable to a staff member's negligence or carelessness, shall constitute a serious disciplinary offence.
- (f) COMFWB shall in no way be liable for any fines, charges or other offences committed

by a staff member due to negligence and carelessness.

- (g) At the end of every working day, keys to all pool vehicles must be handed over to the Finance and Administration Division. Any keys not handed over shall be investigated unless it is known that the vehicle is out of town.

Rule 96

Log Books

- (a) A logbook must be maintained for every pool vehicle of COMFWB and details of every journey must be recorded. The log book shall be kept in the vehicle by the driver and the use of any vehicle without completing the log book shall constitute an act of misconduct under the COMFWB COMESA Staff Rules.
- (b) The exact details of the starting point, destination, date and purpose of each trip shall be recorded in the logbook.
- (c) The Finance and Administration Division shall check the logbooks on a weekly basis for reasonableness of the kilometres recorded. This check must be evidenced by initialling and dating the logbook.

Rule 97

Fuel Consumption

- (a) Each Driver shall be responsible for filling up COMFWB's vehicle under his charge, with fuel, oil, water/cooler and all other necessary lubricants.
- (b) The Administration Section shall be responsible for maintaining a fuel book for vehicles.
- (c) The Administration Section shall be responsible for monitoring the fuel consumption of each vehicle.

Rule 98

Accident/Incident Procedure

- (a) A staff member driving the vehicle of COMFWB which is involved in an accident/incident must report the accident to the police if:
 - (i) damage has been suffered by either or all parties involved in the accident; or
 - (ii) anyone is injured.
- (b) In case a staff member driving a vehicle of COMFWB is involved in an accident which was caused by the negligence of the staff member, any insurance excess payable by COMFWB will be charged to the staff member.

Rule 99

Fleet Management

- (a) Unless attached to senior officials, COMFWB vehicles shall be used for official business only.

- (b) Unauthorised persons shall not be allowed to travel in COMFWB vehicles.
- (c) When a COMFWB vehicle is involved in an accident, the officer managing the vehicles shall-
 - (i) inform the insurance company;
 - (ii) complete a motor vehicle accident report, not later than the following day of the accident;
 - (iii) obtain copies of the police report on the accident;
 - (iv) advise the Disciplinary Committee whether or not disciplinary action shall be imposed on the driver; and
 - (v) arrange for the assessment of the damage.
- (e) The driver of a COMFWB vehicle or any other officer shall not accept liability or come into agreement with a third party in case of an accident without the approval of the Director and the Legal Manager.

Rule 100

Amplification of Rules

These Rules may be amplified by implementation procedures and administrative instructions issued by the Director. In the event of conflict between the Rules and any other such procedures and instruction, the Rules shall prevail.

Rule 101

Liability

- (a) Every official of COMFWB shall be responsible to the Director for the regularity of actions taken by him in the course of his official duties.
- (b) Any official who takes action contrary to these rules or to the implementation procedures or instructions issued in terms thereof may be held personally responsible and liable for financial and other measures as necessary for the consequences of his action.

Rule 102

Amendment of Rules

These Rules may be reviewed or amended by the General Assembly.

Rule 103

Entry into Force

These Financial Rules or any amendments thereto shall take effect upon approval of Council.



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