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EXECUTIVE COUNCIL
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REPORT OF THE SUB-COMMITTEE ON AUDIT MATTERS

**REPORT OF THE THIRD SUB-COMMITTEE
MEETING ON AUDIT MATTERS**

I. INTRODUCTION

1. The third Meeting of the Sub-Committee on Audit Matters was held in Addis Ababa, Ethiopia on 05 June 2014 and 12 June 2014. The session of 05 June 2014 started at 10:30a.m. and that of 12 June 2014 started at 8.45AM.

II. ATTENDANCE

2. The meeting was chaired by the Chairperson of the Sub-Committee on Audit Matters, H.E Lazare Makayat Safouesse the Ambassador of the Republic of Congo, and attended by representatives of the following Member States:

1. Burkina Faso
2. Chad
3. Congo
4. DRC
5. Ethiopia
6. The Gambia
7. Ghana
8. Lesotho
9. Mauritania
10. Namibia
11. Seychelles
12. South Africa
13. Togo
14. Tunisia
15. Tanzania

III. OPENING REMARKS

3. The Chairperson welcomed all members of the Sub-Committee, the staff members of AU Commission and the members of the Board of External Auditors.

4. Since the Presiding Officer of ECOSOCC was not present on 5th June 2014, the meeting decided to postpone the deliberation of the agenda item on ECOSOCC, as the Sub Committee members noted that the issues raised in the report were serious and would require the presence of the Presiding Officer to give responses. The Commission was then tasked to arrange another session to allow the Presiding Officer of ECOSOCC to participate. The next session was arranged and took place on 12 June 2014.

IV. ADOPTION OF AGENDA

5. The Chairperson presented the agenda and it was adopted by the Sub-Committee as indicated below:

- a) Opening Remarks;
- b) Adoption of Agenda;
- c) Consideration of the Report of the Board of External Auditors on ECOSOCC (*This Agenda item was postponed and discussed on 12th June 2014*);
- d) Consideration of the AUC Budget Execution Analysis for the year ended 31 December 2013;
- e) Any Other Business.

V. Consideration of the Report of the Board of External Auditors on ECOSOCC.

a) PRESENTATION

6. The Chairperson of the Sub-Committee invited brief presentations from the parties involved asking them to focus on the critical issues and what needs to be done. In this regard, the ECOSOCC Presiding Officer, CIDO Director and Chair of the AU Board of External Auditors made presentations as summarised in the paragraphs below:

Presentation by Presiding Officer of ECOSOCC

7. The ECOSOCC Presiding Officer thanked the members and made a presentation focusing on the key issues including the substance and form of the audit report prepared by the AU Board of External Auditors. In this regard, the Presiding Officer explained the following:

- (i) General remarks

8. The Presiding Officer queried the competence of the AU Board of External Auditors especially the members of the board who conducted the audit. He further stated that, the audit is flawed and the report is incomplete as most of the burning issues at ECOSOCC were not addressed. Also, the information and explanations provided to Auditors were not incorporated in the report.

9. He also stated that Decision ref: Ex.CL/Dec 716(XXI) of July 2012 required the PRC and the Commission to conduct an audit of ECOSOCC. However, the audit which was done was organised by the Commission and used auditors who are regularly employed for audits of the Commission. This discredits the independence of the auditors.

(ii) Financial Matters

10. The Presiding Officer also stated that, the financial aspects of the audit are flawed. The report mentioned of no statements of account produced, on procurement, on assets of ECOSOCC and no notes on financial systems and procedure. These lapses should be blamed on the Commission who is responsible of ECOSOCC financial management systems.

11. He further stated that, the French Grant of 270,000 Euros was spent on CIDO activities and non-ECOSOCC purposes for which funds were not earmarked. In this regard, the requests from the French Government on the statement of accounts of the funds have never been provided by CIDO, and this is affecting the strategic partnership with the French Government.

12. The Presiding Officer also disagreed with the auditors' report that he had failed to account for US\$25,000. The documents to retire the US\$25,000 were presented to the auditors during the audit, but they still reported it as an unaccounted fund.

13. He also stated that the funds allocated in ECOSOCC budget for running the Office (US\$ 50,000.00 per annum) were not remitted to its Office in Yaoundé. Especially the funds allocations to the Presiding Officer's Office. He noted that this lack of funds did not stop him from operating as he spent personal moneys to fund some activities of the Office. Such personal pre-financing was never refunded by the Commission.

(iii) Administrative and Staffing Matters

14. He further stated that the ECOSOCC office is grossly understaffed and these issues were explained to the auditors but were never incorporated in the report. There are two staff members of CIDO who are also working in the standing committee which constitutes conflict of interest as the two officers are servicing two offices. Compared to other Organs, he noted that the staffing of ECOSOCC is not enough especially in the Presiding Officer's office.

15. The Presiding Officer stated that currently CIDO deals with all ECOSOCC administrative matters to extent of sending officers on mission without the appropriate knowledge of ECOSOCC matters. This is because ECOSOCC is without its own secretariat.

(iv) Institutional Matters

16. The Presiding Officer stated that the former Presiding Officer had also complained about CIDO being a secretariat of ECOSOCC. In order to solve a number of institutional matters of the ECOSOCC, he would recommend that ECOSOCC should have its own secretariat.

Presentation by the Director of CIDO

17. The Director of CIDO thanked the Presiding Officer of ECOSOCC for his presentation and made his presentation as follows:

18. He started by correcting the wrong notion given by the Presiding Officer on the independence of the Board of External Auditors. He clarified that, the Team of Auditors was constituted by the PRC and it was derived from the AU Board of External Auditors which is an independent organ of the Union. He further cautioned that such allegations on the AU Board of External Auditors may cast doubts on all the previous audits conducted by the AU Board of Auditors.

19. The Director further stated that the Board of External Auditors interviewed both the ECOSOCC Presiding Officer and CIDO, and obtained information from both sides. In this regard, their report is a general representative of what happened and facts are well captured in the report, although there were some controversial issues.

20. The Director of CIDO then highlighted the following issues responding to the Presiding Officer's presentation:

- i) On the US\$25,000 still outstanding on the Presiding Officer: The Commission was not satisfied with the supporting documents submitted and that the Presiding Officer was aware of this;
- ii) On the French Grant: All expenditures were accounted for and reported accordingly. The claim by the Presiding Officer is contrary to the facts on the French Grants situation.

21. The Director also stated that CIDO is a secretariat that implements directives and does not make decisions for ECOSOCC. He also noted that the former ECOSOCC Presiding Officer, Prof. Wangari Mathaai praised CIDO for the job well done, and included this in her report.

22. The Director of CIDO finally highlighted what he considers as the key problem for the functioning of ECOSOCC and suggested the way forward:

- i) The key problem lies with the ECOSOCC Statutes, especially on the criteria for membership which requires at least 50% of member's financing to be internally generated. Hence, it has been difficult to constitute the required ECOSOCC membership. Therefore, there is need to review the Statutes.
- ii) The way forward would be to constitute an Interim ECOSOCC for a period of two years and learn from the experience, as the Statutes are being revised.

Presentation by Chairperson of AU Board of External Auditors

23. The Chair of the Board of External Auditors thanked the members and indicated that their audit report had already been presented at the PRC meeting and it clearly provides the findings and respective recommendations. She then stated that the AU Board of External Auditors could use this opportunity to reiterate some of the key issues and recommendations raised in the report. In this regard, the Chair of the Board reiterated on the following:

i) ECOSOCC Statutes and Rules of Procedures

24. The Chair of the Board stressed the need for ECOSOCC statutes to be reviewed and harness the participation of diaspora.

ii) Functioning of ECOSOCC Clusters

25. The Chair of the Board noted that ECOSOCC is not yet fully functional, out of the 10 clusters of ECOSOCC; only 2 clusters were working during the period under review. This matter should be addressed.

iii) Administrative Arrangements for ECOSOCC

26. The Chair of the Board stressed the need for clarity on the administrative arrangement/functions of the Presiding Officer. Currently this is not clear.

iv) Orientation on AU Rules and Regulation to ECOSOCC presiding members

27. The Chair of the Board noted that ECOSOCC is an Advisory Organ and it should be operating within the African Union rules. In this regard ECOSOCC officers should be trained on the Rules of the Union, especially on handling financial matters.

v) Filling of the Post of ECOSOCC Deputy Presiding Officer

28. The Chair of the Board noted that the vacant position of ECOSOCC Deputy Presiding Officer had never been filled during the period under review. As such, this may have affected the participation of diaspora and functioning of ECOSOCC.

b) DELIBERATIONS

29. Following the three presentations, the Chairperson of the Sub-Committee opened the floor to members for comments. In the debate that ensued members made the following comments and observations:

a) Members thanked the AU Board of Auditors especially on the general recommendations which are forwarding looking. It was further suggested that the recommendations in the audit report should be well-structured to enable smooth implementation.

- b) Members raised concerns about the un-healthy working relationship between the ECOSOC Presiding Officer and the Director of CIDO. This is making the two offices' working relations in disarray as well. The conflicting working relationship has been there for a long time. The members lamented such working relations will not take the organisation forward.
- c) Members also sought to know whose responsibilities it is to carry out staffing of the ECOSOC office and why the staffing level is not adequate.
- d) Members also expressed concerns on management of the funds and sought to know whether there was any mismanagement/misappropriation or fraud and how that should be addressed.
- e) Members also sought to know how the issue of appointing auditors for the ECOSOC audit reconcile with the Decision Ex.CL/Dec.716(XXI) of July 2012.
- f) Members also enquired if there are provisions in the AU Financial Rules and Regulations for personal funding or personal pre-financing of the organisation's activities. They wanted to know the last time that the Commission remitted funds to ECOSOC.
- g) Members noted the misunderstanding between ECOSOC and CIDO regarding the diaspora. For example, in 2010 there were issues on planning of the General Assembly meeting that did not take place.
- h) Members further wanted to know whether diaspora forms part of the ECOSOC or not.
- i) Members noted in the audit report that some budgets were under-utilised and sought to know the reasons for this. Members expressed deep concerns about the management and execution of ECOSOC budget, and the office responsible for annual appropriation of ECOSOC budget.
- j) Members needed clarity on what happened to the US\$25,000 which is still outstanding and what should be done going forward, and what was the source of this fund or within which framework the amount was given to the Presiding Officer?

c) RESPONSE FROM ECOSOC, CIDO AND THE COMMISSION

30. After the presentations, the Chairperson requested the ECOSOC Presiding Officer, the Board of External Auditors, and the Commission to provide responses as appropriate. The responses given are summarised as follows:

Response by ECOSOCC Presiding Officer

31. The Presiding officer apologised to members on how he reacted and the perception created by his remarks on audit report.
32. On financial matters: He stated that there used to be a budget of about US\$50,000 for his office. These funds were never remitted and the audit did not address it.
33. On Diaspora: The Presiding Officer explained that since he assumed office there has never been an election to the Diaspora Office. Therefore, he cannot say much about the Diaspora activities.
34. On Staffing Issue: He stated that the staff members of CIDO also serve ECOSOCC and as such this has created misunderstanding between the two offices and also affected the operations of the two offices.
35. On the Assembly Meeting: The Presiding Officer stated that, he was advised that if he obtained the required signatures he could hold a meeting and he did that. However, he was told later that the funds were not available for the meeting.
36. On the US\$25,000: He stated that he has documentations for the US\$25,000 but was never informed that what he submitted was not enough until now at this meeting.

Response by AU Board of External Auditors (BOEA)

37. The Chairperson of the BOEA stated that ECOSOCC is audited every year, and as at that time of audit review, there was only US\$25,000 that was still pending unresolved by the Presiding Officer.
38. She further stated that, the functions of the Secretariat are not clearly defined and as such, the auditors were not able to perform a thorough evaluation of the functions being undertaken.
39. The Chairperson of the BOEA also confirmed that there was neither fraud nor misappropriation of ECOSOCC funds for the period under review.

Response by Director Programming Budgeting, Finance and Accounting (PBFA)

40. The Director PBFA started by clarifying that, the AU Board of External Auditors is constituted based on Executive Council Decisions. He stressed that the establishment of the Board is a governance issue and should not be blasted anyhow.
41. On budget appropriations of ECOSOCC, the Director, PBFA quoted the AU rules which clearly stated that expired appropriations are put in the organisation's reserves and re-budgeted for in the subsequent year if required.

42. The Director further stated that ECOSOCC is like any other non-self-accounting organs whose finances are being managed by the Commission.

43. The Director also indicated that the AU Financial Rules do not allow unauthorised expenses, and therefore individual/personal pre-financing of the activities should be done only after obtaining written authorisation to do so.

44. On the US\$25,000, the Director confirmed that the supporting documents submitted did not satisfy the AU Financial Rules and Regulations.

45. On whether fraud occurred, the Director stated that there was no reported fraud. This is also confirmed in the AU Board of External Auditor's report.

d) RECOMMENDATIONS OF THE SUB-COMMITTEE

46. The Sub Committee took note of the three presentations and decided as following:

- a) Members took note of the conclusions of the AU Board of External Auditors report that fraud or misappropriation of funds did not happen at ECOSOC activities for the period under review;
- b) To adopt the general and forward looking recommendations of the AU Board of External Auditors as contained in the report. Furthermore, the AU Board of External Auditors was advised to structure their recommendations to make them clear for ease of implementation (***this was done as per Annex I attached***);
- c) To carry-out a verification exercise to clarify the grey areas observed by the Sub Committee as listed below:
 - i) The personal moneys spent by the Presiding Officer for pre-financing of ECOSOC activities and the annual budget amounts (50,000) allotted to ECOSOCC.
 - ii) The unsettled amount of USD 25,000 given to the Presiding Officer for ECOSOCC sectoral mission activities.
 - iii) The accountability of the French Grant amounting to 270,000 EUROS for diaspora and African Civil Society activities.
- d) To call for a revision of the ECOSOCC Statutes, Rules of Procedures as well as the administrative arrangements of ECOSOCC secretariat.

VI. CONSIDERATION OF THE BUDGET EXECUTION ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2013.

a) PRESENTATION

47. The Chairperson of the Sub-Committee invited the Director, Office of Internal Audit (OIA) to present the budget execution analysis report for the year ended 31 December 2013. The Director, Office of Internal Audit thanked the members and made a presentation focusing on the main findings of the budget execution report.

48. The Director explained that during the year ended 31st December 2013, US\$ 228.02 million was appropriated for the activities to be undertaken by Commission (AUC). Based on the overall analysis, the OIA expressed the opinion that, the Operational Budget execution was satisfactory while the Program Budget execution was not satisfactory, hence requiring follow-ups and further improvement.

49. The Director summarised the overall assessment of the budget figures and execution rates for the year 2013 as indicated in the table below:

Description	Operational (US\$)	Program (US\$)	Total (US\$)
Total Approved Budget (AUC)	90,594,105.92	125,961,298.0 0	216,555,403.92
Supplementary Budget	6,250,031.07	5,220,806.00	11,470,837.07
Total Revised Approved Budget	96,844,136.99	131,182,104.0 0	228,026,240.59
Total Available funds	96,844,136.99	95,859,488.00	192,703,624.99
Total expenditures	(81,111,364.0 7)	(71,414,120.7 7)	(152,525,484.84)
Execution Rate per Approved Budget	83.75%	54.44%	66.89%
Execution Rate per Available Funds	83.75%	74.50%	79.15%

50. The Director further presented the findings in detail on the execution analysis and the explanations as obtained from the auditees (departments/directorates) for the year 2013. In this regard, the Director explained the following:

i) Lack of a budget line for the Preferential Rate Payments

51. The continuation of preferential rate payments to the Brussels and Geneva offices was approved by the Executive Council decision (ref: EX.CL/Dec.727 XXII) of January 2013 to be paid through AU reserves. However, during the year under review, there was no budget line created for this expenditure i.e. preferential payments amounting to US\$2,245,566.45.

52. The Director indicated that OIA was of the opinion that since the decision was made in January 2013 summit, a budget line should have been created for this item at that time.

ii) High Operational Budget Execution

53. The Director explained that high execution rates were noted in the expenditures on four budget lines namely: Acting allowance, Temporary assistance-medical relief, Temporary security staff cost and Elections Monitoring missions whose expenditures were 128.88%, 105%, 102% and 107.10% respectively.

54. It was noted that the over-expenditures were mainly attributed to the uncontrollable costs and the overall staff costs.

iii) Low Budget execution rates (below 40%)

55. It was noted that US\$8.91Million of the approved program budget involving 98 budget line items were executed below 40% during the year. The explanations provided for this was that there was late receipts of funds, late start of procurement process, projects not undertaken, inadequate allocations and inadequate planning. In this regard, the OIA recommended for early soliciting of funds and improving the procurement as well as the planning process.

iv) Zero Budget execution rates

56. It was noted that US\$7.9 million of the approved program budget involving 183 budget line items were not executed during the year. The explanations provided were similar to that of the low execution rate. However, it was further explained that some partners pledged and never released funds. Some late release of funds by partners was caused by the delays from the AUC in submitting reports to the partners on time. Therefore, the OIA recommended for more planners' involvement and the Commission to ensure reports are submitted to partners in time as agreed.

v) Double uploading in SAP System on some IBAR Program Funds

57. The Director further stated that, duplications were noted in some IBAR's released program budget lines amounting to US\$ 2.4 Million. The matter was noted to be an error and has been communicated to the PBFA for correction/adjustment.

vi) Budget Lines without Funds

58. The Director explained that US\$30.43 million of the approved program budget involving 171 budget line items were not funded during the year 2013. This was traced to some AU Partners such as China, Spain, GIZ, UNEP, among others.

59. OIA recommended that the Directorate of Strategic Planning should scrutinize and discuss the projects with the implementing Departments before categorizing them under funding partners. Furthermore, in future the African Union Internal Budget Committee should ensure that only projects with assured funding are included in the proposed budgets.

vii) Overspent Program Budget Lines

60. The Director stated that of the approved budget, US\$ 13.46 Million consisting of 41 program budget lines were overspent. During discussions with the PBFA, it was indicated that although at activity level the budget lines were overspent; at program level they were not overspent. However, the OIA maintains that, since the budget is still by activity, the execution should be controlled at that level as well.

viii) 50th Anniversary's budget execution

61. The Director reported that the approved budget for the 50th anniversary was US\$3.37 million while the actual expenditure was US\$2.03 million. However, US\$1.14 million was committed at the year-end (2013). The documents for the commitments were requested from the PBFA for review, but were not availed. Furthermore, as the 50th anniversary was spanning from 2013 to 2014 financial years, the budget should have been split and allocations done properly between the two financial years.

b) DELIBERATIONS

62. Following the presentation of the budget execution analysis for the year ended 31 December 2013, the Chairperson of the Sub-Committee opened the floor to members for comments. In the debate that ensued members made the following comments and observations:

a) Members were concerned about the low budget execution of programs and that this matter has been an issue for the past years and features in each budget execution report. They sought to know what the Commission is doing about it. They noted that the OIA report did not mention or list any departments or organs that failed to submit reports to partners in time.

- b) On the zero budget execution, members sought to know what happens to staff members who are employed to implement projects/programs whose funds were not received during the year. They further asked what causes non-execution of activities when funds have been received.
- c) Members also noted that they had discussed the 1st and 2nd quarter reports for the 2013 budget execution and are now discussing the 2013 year-end report, but they do not know what happened to the 3rd and 4th quarter reports.
- d) Concern was raised on the issue of budget lines being overspent and that of IBAR program released budget lines being double-uploaded, the members sought concrete recommendations to address the problems once and for all.
- e) Members also sought to know what is being done on both the Internal Audit recommendations and external audit recommendations. They wanted to know whether these recommendations are being taken seriously.
- f) Members enquired on what was being done by the Commission to ensure that member states pay their contribution dues on time.
- g) On the 50th Anniversary Budget, members asked why the Commission budgeted for the activities within one year (2013) yet they would be executed over 2013 and 2014. They wondered why the budget was not split into the two years. The members also expressed deep concerns on the fact that the relevant supporting documents were not submitted to the Office of Internal Audit (OIA) for review. They asked the Director OIA, to explain what sanctions were available for the un-cooperative auditees / departments.
- h) Members enquired on the implementation status of the previous external audit recommendations. It was important to know the progress made by the Commission on Procurement Plan, Staffing issues, etc. following the audit recommendations issued by the Board of External Audit.

c) RESPONSE FROM THE COMMISSION

63. The Commission responded to the various issues and concerns raised by member states as follows:

On Budget Low Execution and Zero Execution

- a) The Commission explained that, the low or zero execution are recurrent problems of the Commission caused by the following:
 - Insufficient capacities in the implementing departments whereby some departments tend to have budgeted more (over-planning) than their

absorption capacity leading to low or zero execution. Also instances where the budget obtained are not adequate for certain activities and therefore implementing them is not possible.

- Late and no receipts of funds from the partners since some partners pledge and never release funds. Sometimes the Commission fails to submit reports to partners on time, which eventually cause delays in the release of funds by Partners.
 - Instances where some Partners would prefer to fund activities off-budget and therefore the Commission receives the services or the product which are sourced and paid for directly by the Partners. In this case, the execution will appear as zero but the activity would have been implemented.
- b) The Commission also underscored the over-reliance on Partners for the programs budget which also affects programs implementation due to delays in receipt of funds.
- c) The Commission indicated that it is working on the under-listed measures as a way forward to some of the challenges:
- Management is going to implement a sanctions regime that will include withholding of funds for departments that do not comply with reporting deadlines.
 - A new system is being developed where all the actual program activities delivered will be captured. This will include the off budget activities so as to give a holistic picture of the budget programs executed.
 - The Commission is in the process of overhauling the planning system and take corrective actions. It is envisaged that the 2016 budget will be based on the new planning system.
- d) The Strategic Planning Directorate also stated that they do take audit recommendations seriously in addressing the planning and implementation issues. However, the Directorate is understaffed, especially in the Monitoring and Evaluation division which is currently manned by only one staff member, whilst all the departmental planners are on short term under partner funds.

On Overspent Budget Lines

- a) The Commission explained that the first point of budget control is the approval and funds disbursed according to availability. At program level, budgets are not overspent, and where an activity requires more funds than

what is budgeted for, partners are consulted and a letter of no objection is obtained to reallocate some budget line funds. In addition, certain budget lines such as Election monitoring missions cannot be controlled and hence the over expenditure.

- b) With regard to overspent budget on temporary assistance, the Commission stated that majority of the staff are young and therefore it is inevitable that women would go on maternity leave. When staff members are on maternity leave, then a temporary staff member is hired in her place until her return. Since this cannot be controlled, the execution on the budgeted funds could be overspent. Also, during the 50th anniversary many temporary security assistants were hired to assist in the organisation of the celebrations, which contributed to the over expenditure.

On Staff Issues and Commission Reforms in Progress

- a) The Commission clarified that staff members hired on projects whose execution rates are zero are actively occupied in many other functions/activities in service delivery. When an activity has zero execution rate, that does not mean the program implementation is also zero, there are always other activities that engage the staff member in this regard.
- b) To enhance the staff performance, an appraisal system has been put in place and also two coaches were hired to help the staff with the appraisal system. This system facilitates improvement in staff performance throughout the year, and appropriate actions will be taken on the outcome of the appraisal. The Commission observed that since the hiring of the performance coaches, the appraisal rates had significantly improved from 20% to 90%.
- c) The Commission also explained the progress made on the Board of External Audit recommendations as follows:
- Procurement plan: From this year 2014, the AHRM Directorate has developed a procurement plan, and the ad-hoc purchasing has been stopped.
 - Travel Policy: The policy is being developed and almost finalised. It will be tabled before the Sub-Committee on Financial and Administrative Matters for consideration.
 - Home leave: From this year 2014, staff members are required to account for their home leave payments by providing board passes.
 - Staff and country quotas: A list of staff with the respective nationalities was prepared and circulated at the budget meeting in Dar-Es-Salaam in May 2014.

On Contribution, Preferential Payments and IBAR Double Uploading of Budget

- i) The Commission informed the Sub-Committee meeting that the receipts from member states were encouraging. It was also confident that majority of the contributions would be received by July 2014.
- ii) Where funds are received and activities not executed, the Commission explained that, the activities would be re-programmed and re-budgeted in the following year as appropriate.
- iii) On the payment of preferential rate, the Commission agreed there was no budget line, but acted on the Executive Council decision. However, the issue is addressed on the 2015 budget.
- iv) The error of double uploading of budget lines at IBAR Office has been addressed.

On 50th Anniversary concerns

- i) The Commission agreed that it was feasible and better presentation to split the Anniversary Budget in two years (2013 and 2014), and that it was a mistake not to split. However, it was noted that the final result would be the same.
- ii) On lack of documents, the Commission explained that it is true OIA requested for the commitment documents from PBFA but were not provided because the staff who was working on them was on leave. However, the documents were provided when the staff resumed work. The Acting Director PBFA apologised for the delay in providing the documents. The Director of OIA confirmed receiving the documents from PBFA on 04th June 2014 after the report was concluded and sent for translation.
- iii) The Director of OIA explained that as per the AU Internal Audit Regulations, the OIA has unrestricted access to all the documents, persons and information required for audit assignments. She however stated that the AU Regulations do not specify any sanctions to be taken when the auditees are not cooperative.

On Audit Reports and Recommendations

- i) Regarding the third and fourth quarter budget reports, the Director OIA clarified that these quarters are part of the 2013 final report and made reference to the annexes of the report where the quarterly executions including the 3rd and 4th quarter are tabulated.

- ii) Regarding the past external audit recommendations, the Director OIA explained that apart from the explanations given for actions taken on some issues, like travel policy, both the OIA and the Board of External Auditors could review the current status of implementation of recommendations during the current audits.

d) RECOMMENDATIONS OF THE SUB-COMMITTEE

64. The Sub Committee took note of the 2013 Budget Execution Report of OIA and made the following recommendations:

- a) The Commission should address the issues raised by the 2013 Budget Execution report of OIA and implement the recommendations accordingly. In this regard, the Commission should make necessary efforts to improve the implementation rate of the planned programs.
- b) The Commission should take punitive measures against staff members that fail or delay to submit necessary reports as required by the partners' agreements.
- c) The Commission should always determine from the AU Partners whether their contributions are in cash or kind and allocate the activities accordingly. In future, the Commission should avoid allocating contribution in kind (e.g. the Chinese Fund) on activities that require cash remittance. Where partners pay for activities directly, such expenditures should be included in budgetary reports accordingly.
- d) The Commission should be very serious on dealing with Audit Recommendations and provide timelines for the implementation of audit recommendations. The PRC Sub-Committee on Audit Matters should be provided with the status of implementation of the Board of External Audit recommendations before the next summit (January 2015).
- e) The Commission should ensure that any information/supporting documentation required by the Office of Internal Audit for review is made available on time.
- f) The Commission should expedite the finalisation of the policy on travel and other reforms in progress and report back to the Policy Organs by January 2015. In this regard, the Commission should provide the list of all policies/reforms in progress along with the timelines.

VII. ANY OTHER BUSINESS

65. There being no other business the first meeting was adjourned at 1705 Hrs, whilst the second meeting was adjourned at 1030Hrs.

**RECOMMENDATIONS ON
INSTITUTIONAL, ADMINISTRATIVE AND FINANCIAL AUDIT OF THE ECONOMIC,
SOCIAL AND CULTURAL COUNCIL OF THE UNION**

Recommendations:

1. CIDO should speed up the participation of the Diaspora in the ECOSOCC processes in order to fill vacant seats in the General Assembly and position of the Deputy Presiding Officer in the Standing Committee and Bureau;
2. The Sub-committee on Operational Guidelines should expedite the process of establishing the modalities of inter-organ cooperation and proposing rules of engagement to facilitate effective operationalization of Cluster Committees;
3. There is a need to review current legislations to ensure consistency, to determine the problems that hindered progress on ECOSOCC activities as a result of deficiencies and misinterpretation of the Statutes and Rules of Procedure;
4. Administrative Secretariat like those servicing African Union Commission on International Law and African Union Advisory Board on Corruption should be created within the Office of the Chairperson to service ECOSOCC. ECOSOCC should consult CIDO on technical issues;
5. There is a need for stipulated policies and procedures on administrative arrangements for ECOSOCC;
6. AU Commission should negotiate Grant Agreement renewal with the French Government to make use of funds for the financing of activities related to the representation of the Diaspora, and the African civil society;
7. Proper monitoring procedures should be in place to ensure proper execution of the budget, implementation of planned activities and compliance to the rules and regulations as well compliance to Grant/Loan Agreements;
8. Director PBFA should conduct orientation workshop for the members of the Standing Committee on financial rules and regulations;
9. The Director of PBFA should provide periodic financial reports on ECOSOCC.

2014

Report of the sub-committee on audit matters

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