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**EXECUTIVE COUNCIL**  
**Seventh Ordinary Session**  
**28 June – 2 July 2005**  
**Sirte, Libya**

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**REPORT OF THE EIGHTH ORDINARY SESSION**  
**OF THE ADVISORY SUB-COMMITTEE ON**  
**ADMINISTRATIVE, BUDGETARY AND**  
**FINANCIAL MATTERS (VIREMENT)**

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**INTRODUCTION**

The Meeting of the Advisory Sub-Committee on Administrative, Budgetary and Financial Matters took place on the 13<sup>th</sup> April 2005 in AU Conference Centre to consider virement requests for Financial Year 2004.

**ATTENDANCE**

2. Algeria, Angola, Benin, Burundi, Botswana, Burkina Faso, Cameroon, Egypt, Ethiopia, Gambia, Ghana, Lesotho, Libya, Mali, Malawi, Mauritania, Mauritius, Rwanda, SADR, Senegal, Sierra Leone, South Africa, Sudan, Mozambique, Nigeria, Tanzania, Tunisia, Zambia, Zimbabwe.

**OPENING SESSION**

3. The Meeting was scheduled to start at 10:00 a.m on 12<sup>th</sup> April 2005 but was postponed to the next day 13<sup>th</sup> April 2005 due to lack of quorum. When the meeting resumed at 10:00 a.m., the Acting Chairperson of the Sub-Committee H.E. Mr. Mustaq Ahmed Moorad, the Ambassador of Botswana pointed out that there was yet no quorum.

4. The meeting was reconvened on the 13<sup>th</sup> April 2005 at 10:00 hrs. but only started at 11:00 hrs. due to failure to constitute the quorums on time.

**OPENING REMARKS BY THE COMMISSION**

5. The Deputy Chairperson of the Commission, H.E. Mr. Patrick Mazimhaka thanked all the delegations who came to consider the Commission's virement request for Financial Year 2004. He pointed out that this was in accordance with Article 12 of the Financial Rules and Regulations that empowers the Committee to authorize the transfer of funds from one programme to another subject to availability of funds. He however regretted that the Commission was unable to present the virement request on time due to many compelling reasons among which was the multiple engagements and involvement of the staff of the Commission and the Member States in various activities of the Union during the last quarter of the year 2004.

6. The Deputy Chairperson indicated that the budget session for 2005 took longer time than anticipated and as a result it took more than anticipated and as a result it took up the time that had been allocated for the virement session. He however, informed the meeting that a number of remarkable progress were being

made to avoid similar delays in future by strengthening the capacity of the Department of Programming, Budgeting, Finance and Accounting. In addition, tremendous progress has been made in preparation and finalization of the Budget guidelines including the Calendar that would ensure programmes and activities are properly scheduled. Other efforts includes streamlining the operations and management of the numerous meetings of the Commission.

7. On the budget performance during the period, the Deputy Chairperson pointed out that over expenditure on operational expenses had to a large extent been avoided and where it was unavoidable the formal express authorization for approval by the Chairperson of the Commission was sought before such expenses were incurred.

8. As an appeal, he indicated that though the virement was belated it was nevertheless critical for the Committee to consider it in order to enable the Directorate finalize the closing of books of account for the 2004 Financial Year and pave way for the external audit to be conducted. He reiterated that a thorough analysis of the 2004 Financial Year Expenditure will be meaningfully conducted during the presentation of the Audit Report by the Board of External Auditors.

9. Before proceeding to the discussion, the Chairperson invited the meeting to observe a minute of silence in honour of the late staff of the Commission, Mr. Romeo Dominico who passed a way after a short illness. He had worked for over five years for both the former OAU and the current African Union Commission in the Department of Peace and Security.

### **ADOPTION OF THE AGENDA**

A single Agenda item was adopted.

10. The agenda item adopted was the consideration of Virement Requests for the Financial Year 2004.

### **CONSIDERATION OF THE AGENDA ITEM**

11. The Chairperson of the Session then invited contributions.

12. In the debate that ensued, most delegations expressed their concern over delay in presenting the virement request, which was supposed to be discussed before expenditure was incurred.

13. Some delegations further questioned the validity of deliberating on the report pointing out that it was no longer a request for virement but rather a request to endorse expenditure that had already been incurred.

14. Other delegations expressed concern that it was difficult to follow the report because most of the issues had been overtaken by events due to delay in presenting the report.

15. They urged the Commission to effectively carry out its responsibilities within the set guidelines as provided for in the Financial Rules and Regulations.

16. After the general debate, the Commission was asked to give clarifications on the following specific issues:

- Why the Commission was using unwarranted request of virements as a means of financing its budget deficit;
- Why the Commission had incurred unauthorized expenditures based on the authorization from the Chairperson without getting prior approval from the Sub-Committee in line with the Maputo's Council Decision (Doc. EX/CL/26 (III) Rev.1 which reads:

**"AUTHORITIES the Chairperson, the Deputy Chairperson and the Commissioners, who have just been elected, to readjust the Programme Budget for the Financial Year 2004 within the limits of 43 million US Dollars in order to include the priorities in terms of human resources and programmes";**

**"AUTHORISES the Executive Council to approve, on behalf of the Assembly, the Programme Budget thus readjusted, at its Fourth Ordinary Session to be held in February/March 2004".**

- The progress being made in the implementation of recommendations contained in Ernst & Young Report;
- The distinguished representative of The Gambia sought clarification on explanations given by Banjul Office to justify procurement of a generator, indicating it was a mis-representation of facts about his country.

17. The representative of the Commission responded to the queries raised as follows:

- Virement is a mid-term review on the pattern of expenditure, which serves as a basis for deciding on the possibility of re-arranging budgeted expenditure from one budget line to the other within the limitation indicated in the Financial Rules and Regulations. Under normal circumstance, virement request is financed from savings from other budget lines and it is not a request for additional budgetary

funding. In this particular instance the Commission was not requesting for authority for additional budget funding.

- The Maputo Summit granted authority to the Chairperson to review the structure and make variation within the budget remit as the Commission deemed fit to accommodate new developments in the Commission that had not been anticipated at the time of the budget preparation and approval.
- Prior approval and authorization by the Sub-Committee is a pre-requisite to submit financial statements of the Commission to the Board of External Auditors for their independent opinion.
- Currently, implementation of recommendation of Earnst & Young Report was in progress. This improvement are expected to streamline the operations and improve the efficiency and effectiveness of the Commission.
- A mechanism to rationalize the available time to the Commission to accommodate all statutory meetings was being implemented.
- The projections and dates included in the virement document refer to the corresponding period of the expenditure and the contents of the document represent the true state of affairs of the Commission during the period under reference.
- The Commission assured Member States that efforts to improve the capacity of the Commission are being made to avoid repetition of slippages in future.

18. In light of the discussion, the Advisory Sub-Committee recommended the following:

- i) **The Commission should schedule the Advisory Sub-Committee's meetings in a timely manner and provide sufficient notice to Member States.**
- ii) **The Commission is requested to hasten the implementation of all the recommendations of the consultants' Report as well as those contained in the previous Sub-Committees and PRC Meetings.**
- iii) **The Bureau of the Advisory Sub-Committee should meet regularly to discuss the challenges being faced by the Commission in implementing the recommendations already made and thereby meet its statutory requirement on time.**

- iv) **The Committee recognized the need to close the books of account and start the auditing exercise and noted the accounts could be closed. However, audit of the virement request made should be conducted by External Auditors and the result of which should be brought back to the Committee.**
19. The meeting closed at 14:30 hrs.

2005

# Report of the eighth ordinary session of the advisory sub-committee on administrative, budgetary and financial matters (Virement)

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