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**UNION AFRICAINE**

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Addis Ababa, Ethiopia

P. O. Box 3243

Telephone: 5517 700

Fax: 5517844

Website: [www.au.int](http://www.au.int)

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**EXECUTIVE COUNCIL**  
**Forty first Ordinary Session**  
**20 June – 15 July 2022**  
**Lusaka, Zambia**

**EX.CL/1343(XLI)**

Original: English

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

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Addis Ababa, ETHIOPIA P. O. Box 3243 Telephone: +251 11-551 7700 Fax: +251 11-551 7844

Website: [www.africa-union.org](http://www.africa-union.org)

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**PRC SUB-COMMITTEE ON AUDIT MATTERS**

**June 2022**

**ADDIS ABABA, ETHIOPIA**

**Audit S/Cttee/Rpt/.....**

Original: English

**ACTIVITY REPORT  
OF THE PRC SUB-COMMITTEE ON AUDIT MATTERS FROM  
APRIL-JUNE 2022**

## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Full name</b>
ACBF	African Capacity Building Foundation
ACERWC	African Committee of Experts on the Rights and Welfare of the Child
ACHPR	African Commission on Human and Peoples' Rights
AfCFTA	Africa Continental Free Trade Area
AfCHPR	African Court on Human and People's Rights
AfDB	African Development Bank
AMERT	African Union Monitoring, Evaluation and Reporting Tool
AMIS	AMIS African Union Mission in Sudan
AMISOM	African Union Mission in Somalia
APRM	African Peer Review Mechanisms
APSA	African Peace and Security Architecture
AUSRR	African Union Staff Rules and Regulations
AU	African Union
AU-ABC	African Union Advisory Board on Corruption
AUC	African Union Commission
AUFRR	African Union Financial Rules and Regulations
AUIAR	African Union Internal Audit Regulations
ARI	African Rehabilitation Institute
BoEA	Board of External Auditors
CELHTO	Centre for Linguistic and Historical Studies by Oral Tradition
CIDO	Civil Society and Diaspora
COE	Contingent Owned Equipment
CPE	Continuous Professional Education
CSO	Civil Society Organization
DCP	Deputy Chairperson of the AUC
DPO	Deputy Presiding Officer
DSA	Daily Subsistence Allowance
EC	European Commission
ECOSOCC	Economic, Social and Cultural Council
EQA	External Quality Assurance
EU	European Union
Finance	Directorate of Finance
FRR	Financial Rules and Regulations of the African Union
GA	General Assembly
GIZ	German Society for International Co-operation
H.E.	His Excellency
HQ	Headquarters
HRM	Human Resources Management
ICT	Information and Communication Technology

IIA	The Institute of Internal Auditors
IPED	Pan-African Institute of Education for Development
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
JFA	Joint Financing Agreement
JPA	Joint Partner Agreement
MHS	Medical & Health Services
MIS	Management Information Systems Division
MK-Insight	Audit Management System
MOU	Memorandum of Understanding
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
OIA	Office of Internal Audit
OIC	Officer In Charge
OIO	Office of Internal Oversight
OLC	Office of Legal Council
OSPD	Office of Strategic Planning and Delivery
PAP	Pan African Parliament
PAPS	Political Affairs, Peace and Security Department
PO	Presiding Officer
PRC	Permanent Representative Committee
PSD	Peace and Security Department
PwC	PriceWaterhouse Coopers
RECs	Regional Economic Communities
SAP	Systems Applications and Products in data processing
SOP	Standard of Operations Procedures
SPO	Standard Operation Procedures
SRR	Staff Regulations and Rules
TCC	Troop Contributing Countries
TV	Television
UN	United Nations
UNSC	UN Security Council
USD	United States Dollar

## ACTIVITY REPORT OF THE PRC SUB-COMMITTEE ON AUDIT MATTERS FOR THE PERIOD APRIL TO JUNE 2022

### I. INTRODUCTION

1. The sessions of the PRC Subcommittee on Audit Matters were held on 20, 26 and 27 April 2022; 6, 13, 17 and 20 May 2022; 15, 22 and 24 June 2022 both physically and in hybrid formats, in Addis Ababa, Ethiopia, under the chairpersonship of H.E. Dr Mohamed Omar Gad, Ambassador of the Arab Republic of Egypt to Ethiopia and Permanent Representative to the African Union, the Chairperson of the PRC Subcommittee on Audit Matters. The meeting of 24 June 2022 was a Joint Siting of the Sub-Committees on Audit Matters, General Supervision and Coordination on Budgetary, Financial and Administrative Matters and Experts of the Committee of Fifteen Ministers of Finance (F15) to Consider the 2021 Audited Financial Statements by the Board of External Auditors in line with **Article 94 of the New AU Financial Rules and Regulations**, and therefore the report is separate.

2. During the first meeting of the sessions of the Subcommittee on Audit Matters, the Chairperson welcomed the Members of the Sub-Committee and the former Chairperson of the Subcommittee on Audit Matters, H.E Emilia Ndinela Mkusa, the Ambassador of the Republic of Namibia who agreed to be part of the meeting to share experiences and give inputs to enhance the work of the subcommittee. He also welcomed the AU Commission (AUC) representatives that includes H.E the Deputy Chairperson (DCP) and the Director General (DG). He thanked them for supporting the work of the Subcommittee and also for the preparations and all efforts put in ensuring the successful holding of the meeting physically. He emphasized that with the easing of COVID-19 restrictions, he would work with the AUC to hold meetings physically for effective interactions on the important work of the subcommittee.

3. The Chairperson also informed members that the first two days would consider the activities of the Office of Internal Oversight (OIO) and the role of the Subcommittee on Audit Matters with the objectives of how to enhance the effective operations of these two important Oversight functions of the Organization from the year 2022 going forward. He urged the members for interactive and active participation.

4. Following the presentation on the 2021 OIO Activity Report, the Chairperson of the Subcommittee visited the OIO Offices and had a meeting with all the staff. The Chairperson noted the challenges of staffing as the majority of staff on projects resigned between 2018 and 2021, whilst the recruitment on the new structure was not done yet. Other challenges were on tools being used by the Directorate as the computers were generic within the AUC populace without considering the analysis done in auditing financial data. Additionally, the audit management software was not in use at that time and the Chairperson was informed that OIO has secured funds from AfDB and budgeted for a new software in 2023 budget proposals.

## II. ATTENDANCE

5. The following members of the PRC Sub-Committee on Audit matters attended the meetings:

1. Algeria
2. Cameroon
3. Chad
4. Comoros
5. Cote d'Ivoire
6. Egypt
7. Gabon
8. Gambia
9. Lesotho
10. Malawi
11. Mauritius
12. Seychelles
13. Zambia

## III. AGENDA AND PROGRAM OF WORK

6. The Members met and discussed the agenda items as summarised in the program of work below:

No. of Meetings	Agenda Items Discussed	Legal References	Date
1	1. Briefings on: - a) TORs for the Sub-committee b) AU-FRR c) AU-SRR	<b>Article 6.12 of the TORs of the Sub-Committee on Audit Matters</b>	20 April 2022
2	2. Consideration of the OIO 2021 Activity Report.	<b>Article 4 of the AU Internal Audit Rules and Regulations</b>	26 April 2022
3	3. Audit Functions and Challenges - Internal Audit/Oversight	<b>Article 6.12 of the TORs of the Sub-Committee on Audit Matters</b>	27 April 2022

4	<p>4. Consideration of the Work Program of the Subcommittee on AM for April to June 2022</p> <p>5. Consideration of the Matrix on implementation of Executive Council Decisions on Audit Matters with May 2022 reporting deadlines.</p> <p>6. Audit Functions and Challenges</p> <ul style="list-style-type: none"> <li>- External Audit (BOEA Secretariat)</li> <li>- Discussions on challenges in implementing audit recommendations.</li> </ul> <p>7. Informative Recap of PwC Forensic and Performance Audit of AUC 2012-2018.</p> <p>8. Consideration of the 2021 Internal Audit Budget Performance Reports:</p> <ul style="list-style-type: none"> <li>- AU Court (AfCHPR), Arusha</li> <li>- AU ABC, Arusha</li> </ul>	<p><b>Article 5 of the TORs of the Sub-Committee on Audit Matters</b></p> <p><b>EX.CL/Dec.1126(XXXIX), par 41 (1.3vi)</b></p> <p><b>EX.CL/Dec.1057(XXXV)</b></p> <p><b>EX.CL/Dec.1107(XXXVIII), par 72</b></p> <p><b>EX.CL/Dec.1107(XXXVIII) par 65 (c)</b></p>	6 May 2022
5	<p>9. Consideration of the 2021 Internal Audit Budget Performance Reports</p> <ul style="list-style-type: none"> <li>- AfCFTA,</li> <li>- AUDA – NEPAD,</li> <li>- ECOSOCC,</li> <li>- PAP,</li> <li>- ACHPR</li> </ul>	<p><b>EX.CL/Dec.1107(XXXVIII) par 65 (c)</b></p>	13 May 2022
6	<p>10. Consideration of the 2021 Internal Audit Budget Performance Reports</p> <ul style="list-style-type: none"> <li>- APRM</li> <li>- CDC</li> </ul>	<p><b>EX.CL/Dec.1107(XXXVIII) par 65 (c)</b></p>	17 May 2022
7	<p>11. Consideration of Inception Report on Forensic and Performance Audit of other AU Organs by Lochan &amp; Co.</p> <p>12. Consideration of the Matrix on Implementation of Previous Audit Recommendations.</p> <p>13. Consideration of the 2021 Internal Audit Budget Performance Report for AUC.</p> <p>14. OLC Report on How the Governance Issues Would Be Resolved at AUABC and ACHPR.</p> <p>15. Consideration of Budget of OIO year 2023</p>	<p><b>EX.CL/Dec.1107(XXXVIII), par 79</b></p> <p><b>EX.CL/Dec.1057(XXXV)</b></p> <p><b>EX.CL/Dec.1107(XXXVIII) par 65 (c)</b></p> <p><b>EX.CL/Dec.1126(XXXIX), par 41 (1.3vi)</b></p> <p><b>para 6.4 of the TORs of the Sub-Committee on Audit Matters</b></p>	20 May 2022

8	<p>16. Follow up on OLC Report on How the Governance Issues Would Be Resolved at AUABC and ACHPR.</p> <p>17. Briefing on OIO 2022 Audit Plan;</p> <p>18. Consideration of Amended OIO Activity Report for 2021;</p> <p>19. Consideration of the Report on Reserve and Other funds (Working Capital, Maintenance Fund, Peace Fund &amp; Administrative Cost Fund).</p> <p>Consideration of the request from Lochan &amp; Co. for a No Objection on Extension of Reporting Timelines by 30 Days at No Cost to AU</p>	<p><i>EX.CL/Dec.1143(XL) &amp; EX.CL/Dec.1126(XXXIX)</i></p> <p><i>Article 6.2 of the TORs of the Sub-Committee on Audit Matters</i></p> <p><i>Article 4 of the AU Internal Audit Rules and Regulations</i></p> <p><i>EX.CL/Dec.899 (XXVIII)</i></p> <p><i>EX.CL/Dec.1107(XXXVIII), par 79</i></p>	15 June 2022
9	<p>20. Consideration of the Progress Report on Implementation of PwC-Forensic Recommendations.</p> <p>21. Meeting with African Union Partners' Group (AUPG) on audit related issues</p> <p>22. Update on implementation of Executive Council Decisions on Audit Matters with May 2022 reporting deadlines.</p>	<p><i>EX.CL/Dec.1107(XXXVIII), par 72</i></p> <p><i>EX.CL/Dec.1107(XXXVIII) Par.65 (b)</i> <i>EX.CL/Dec.1126(XXXIX), par 41 (1.3vi)</i></p>	22 June 2022
10	<p>23. Consideration of the 2021 Audited Financial Statements by the Board of External Auditors (BOEA) for AU Organs (AUC, AUDA-NEPAD, APRM, AUABC, ACHPR, AfCHPR, AfCFTA, (ACERWC), ECOSOCC, PAP) on Joint Sitting with Sub-Committee on GSCBFA &amp; F15 Experts. (NB:- The Report is Separate)</p>	<p><i>Article 94 AUFRR (New)</i></p>	24 June 2022

#### IV. ACTIVITIES OF THE SUB-COMMITTEE:

##### A. BRIEFING ON THE TORs FOR THE SUBCOMMITTEE ON AUDIT MATTERS.

7. The Director, Office of Internal Oversight, AUC took the members through the Terms of Reference of the Subcommittee on Audit Matters which were approved by the Executive Council on decision reference number *Ex.Dec.752(XXII)* of January 2013. She pointed out the Composition and Selection of Members which is in line with PRC



procedures of work, the Purpose, Roles, Responsibilities and meetings of the Subcommittee.

8. Following the presentation on the briefing, members of the Subcommittee raised some concerns as follows: -

- i) Members raised concerns on non-participations of some members who are on sanctions. To ensure a good representation of the Committee during meetings, the sanctioned members should be replaced immediately within the legal rules.
- ii) Members unanimously agreed that to ensure their effective and efficiency functioning, training needs to be provided to them including the Ambassadors. Some members don't have Finance background, they need proper understanding of the audit issues. This will enable them to better make experts and informed decisions as well as to improve the Sub-Committee's work.
- iii) Members indicated that since their work have to deal with all Organs and other Stakeholders of the Organization such as the Partners, it is necessary to have a bilateral meeting with Partners so as to bridge many gaps that exist as well as bring cordial and structured working relationship with them. The members agreed and tasked Gabon to develop some points on the suggestions made on the issue of having a bilateral meeting with the partners.
- iv) The members emphasized that the audit is very important and as such, the proposed training needs to be prioritized. Thereby, there should be a walkthrough on internal controls in the training to enhance the understanding of the members.
- v) The audits should not only lean on financial matters leaving the operational issues out. The Committee should know all the risks facing the organization apart from the financial risks, and also have knowledge of ethical issues to effective carryout its role.
- vi) They further noted that, the work of the subcommittee also needs some audit skills which should be addressed by the training, as the Committee's work cut across all other functions of the Union.
- vii) Members further raised concerns on the late availability of documents for meetings, which makes it difficult to properly prepare for meetings and also have negative impact on the quality of the debates and recommendations to be proposed to the PRC The Commission is therefore requested to improve on this, by providing the documents at least five days before the meetings.
- viii) To ensure that all matters discussed are well captured and recorded, the members suggested that the minutes be sent to the Chairperson of the Sub-Committee for validation before circulating to members.

- ix) Some members also indicated that the quality of some of the external audit reports is very poor and should be improved. Members attributed to the fact that the Board of External Auditors is comprised of auditors from different member states and with divergent expertise and experiences. This can be addressed by having them undergo an induction before starting the audit so as to put them all on the same understanding. Further to these, a template be developed to guide the entire audit process.
- x) Furthermore, members indicated that, some reports contain repetitive findings when compared to the previous reports. The members also highlighted that, sometimes back, the External Auditors complained that the Commission did not avail them all the necessary documents required for the audit.
- xi) Members also unanimously pointed out the inadequate staffing in the Office of Internal Oversight, and furthermore, indicated that the overdependence on Partners to fund the OIO activities especially the staffing should be reviewed and addressed to avoid compromising the critical Organizational information disclosures to the partners and also to protect the independence and confidentiality of the office. Furthermore, members called for the OIO's annual budget to be presented to them for review and consideration before its inclusion in the Organization's annual consolidated budget, as needed in the TORs of the subcommittee.
- xii) Members also raised concerns on the short duration membership in the Committee, which affects the expertise and understanding of the functions of the sub-committee, as well as the finance expertise required to be part of the sub-committee. Since the committee was required to meet at least four times annually, members requested for the calendar of the meetings to guide them properly, and extra Ordinary meetings could be convened if the need arise to address critical or urgent issues.
- xiii) Members called for the Forensic audit report be recirculated and presented to the members as a recap and what has been done on the issues as an implementation of the recommendations raised in the report.
- xiv) Members requested for the Internal Audit and Forensic & Performance Audit reports to be availed to them through the website (online platform) and under password protected access.

9. ***In conclusion, the Subcommittee took note of the briefing and made the following*** recommendations:

- i. ***The Subcommittee Chairperson to communicate with the Western Regional Dean to replace the two suspended members.***

- ii. *The documents for meetings should be available at least five working days before the date of meeting.*
- iii. *The OIO should prepare a list of the comprehensive training needs on audit, financial management, administration, ethics, operations and internal control, for the Subcommittee members at experts' and Ambassadors' level.*
- iv. *The Board of External Auditors comprising of different national audit backgrounds, should be put through an induction before starting to audit and to develop a template detailing all the audit processes to follow, so as to standardize the report formats.*
- v. *The Chairmanship of the Subcommittee was requested to assist on organizing a trilateral meeting between the members of the subcommittee, the AUC and the AU Partners in collaboration with Gabon, and the OIO is requested to assist in the preparations of that meeting.*
- vi. *The annual work plan and the implementation matrix, along with the budget of the OIO should be presented to the Subcommittee for review and consideration prior to inclusion in the Union's budget.*
- vii. *The department's inadequate staffing should be addressed immediately as well as to gradually eliminate the department's over dependent on partners for staff funding and other resources support.*

## **B. BRIEFING ON FRR (2022) AND SRR (2010)**

10. The Director of Finance made a presentation on the New Financial Rules and Regulations(FRR) stating that the new FRR were revised in compliance with Assembly/AU/Dec. 687(XXX) of January 2018 which requests the AU Commission to update the AU FRR taking into account the newly adopted Golden Rules and mechanisms for the involvement of the F15 on budgetary and financial issues of the Union. She further informed the members that the revised Financial Rules and Regulations were approved during the February 2022 summit. She made the presentation focusing on articles of the FRR that have direct relation with the work of the Subcommittee on Audit Matters including overseeing the work of the Risk Management Function. The presentation also included the articles on the work of the Office of Internal Oversight and the work of the Board of External Auditors.

11. The Head of Human Resources Planning and Organizational Development representing the Director, HRM made the presentation highlighted key issues on the AU-SRR including the Scope, Applicability and Classifications; Provisions of the SRR on Staff Allowance and Benefits, Recruitment, and Staff Performance Management; reasons and challenges why the current SSR could not be fully implemented.

12. The Director General also made some remarks indicating the challenges that the Commission as a Secretariat of the Union was facing including the Organization's

reducing funding due to the challenges the Organization's main funders (Member States) are facing in the continent. He also called on the collective efforts to adequately address the weakness and challenges in the internal control systems and availed himself to offer his expertise on these areas and to work with the Sub-Committee as well as the OIO, so as to ensure good governance. He also informed the meeting that the Internal Accountability Committee (IAC) was being assigned to him and would resuscitate it, so as to improve governance in the Organization.

13. Following the presentations, Members of the Subcommittee made comments and sought clarification as summarized below:

- i. Members expressed concerns on several negative findings and recommendations on the audit reports, but there have been no punitive actions taken. They recalled Rule 58 of the SRR which articulates about professional misconducts and the sanctions they attract.
- ii. Members further stressed that, if some staff or responsible officers left the organization without paying what they owed, such cases should have been resolved by sanctions. If the organization is taken to court, means that someone has not done his/her responsibility well. Accountability and responsibility should be underlined with sanctions where necessary, so as to deter staff from violating the rules or mismanaging Union resources.
- iii. Members indicated that it evident that the 2010 AU-SRR has gaps to meet the requirements of the evolving issues in the AU. They further advised that, the issues that led to rejection of the SRR should be addressed the soonest or come with a compromising points to ensure its approval.
- iv. Members stated that It's essential to periodically share the quota allocation of the positions in AU to help guide Member States on circulation of and applying for the available positions by their citizens. It was reiterated that, prior to publication of the positions, AUC should communicate to the Member States on time and in accordance to the assembly decisions which enjoins the commission to inform the Member States of the available positions.
- v. Members raised concerns on some of the Commissioners' lacking accountability for their functions when confronted with wrong doing or irregularity.
- vi. Members observed that the ceiling of \$250M annually is forcing the Union to go to Partners for extra funds to accomplish its programmes. Hence, members reiterated that the member states should take their responsibility on the budget contributions considering that the first ten years of agenda 2063 is coming to an end.

- vii. Members were also concerned on the use of the word “Oversight” as it has two contradictory meanings and so should be clarified whenever used.
- viii. Members also pointed out the need for the analysis of departments’ performance to include outstanding Executive Council decisions to implement, their rates of annual budget executions and implementation of audit reports.
- ix. The members also appreciated the quality of the presentations made as they were well detailed, informative and understandable and requested the same to be made available to the Member States.

**14. *In conclusion, the Subcommittee adopted the report and made the following recommendations:***

- i. The Members reiterated the need to take punitive actions on those with negative audit findings as part of implementing recommendations, and those who left the Organization with unsettled liabilities should be pursued to the extent of involving the similar sister International Organizations where they may have gone to so as to recover African Union resources.*
- ii. Members requested the Commission to urgently complete the review exercise, as envisaged in Executive Council Decision 1144, of the proposals relating to certain entitlements in the draft revised SRR.*
- iii. Members urged the Commission to make the Member States quota reports available and also make job publications known to them on time.*
- iv. Members recommended that the Member States should be urged to ensure that assessed contributions are made to ensure adequate funding of the Union’s annual budgets*

**C. CONSIDERATION OF THE OFFICE OF INTERNAL OVERSIGHT (OIO) ACTIVITY REPORT FOR THE YEAR 2021**

15. The Director OIO presented the Internal Oversight Activity Report for the year 2021 indicating that the Activity Report was based on the requirements by the Institute of Internal Auditors (IIA) to report to the Audit Committee on the annual operational activities of the Office. She confirmed that the OIO had organizational independence in conducting its audit activities during the year 2021 and that the Internal audit work was conducted in line with the IIA Standards whilst the investigations were conducted as per AU Standard of Operations Procedures (SOP) and the International Uniform Principles and Guidelines for Investigations.

16. She highlighted the OIO staffing levels for the year 2021 of fifteen (15) audit professional staff (8 regular positions under Member States budget and 7 financed by Development Partners) against the approved new structure of thirty-five (35) staff positions. She also informed the meeting that the OIO’s 2021 Annual Plan contained 47

audit projects and as at 31st December 2021, thirty-six (36) audit and investigation projects had been undertaken and completed, including management requests, giving an overall execution rate of 66% on approved annual plan. The Director further presented the key audit observations noted during the year categorized under Governance, Risk Management and Internal Controls.

17. Following the presentation, members of the Subcommittee made comments and sought clarification as summarized below:

- i.) Members requested for explanations as to why the OIO Activity Report was not supported with detailed information.
- ii.) Members requested for clarification as to why the draft minutes of the meeting of the Subcommittee on Audit Matters were taking more than one week to be completed and shared.
- iii.) Members noted that one audit project namely the African Continental Free Trade Area (AfCFTA) was not numbered and suggested to number it and revise the total number of audits planned for year 2021 to be 48 instead of 47 projects.
- iv.) Members wanted clarification as to why the audit projects from management requests were undertaken at 100% while the planned audit projects were undertaken at 45% only.
- v.) Members wanted to know whether audit execution rate of 66% was satisfactory or not, based on the OIO's opinion.
- vi.) Members requested for explanation on why many auditors resigned (reasons for resignation). Also, members wanted to know when (which year) these auditors left the organisation.
- vii.) Members requested for the details of trainings undertaken such as where the trainings were conducted, the number of auditors who attended the trainings, whether training certificates were given, and whether the trainings were done physically or virtually.
- viii.) Members requested clarification as to what was used as the denominator for determining the execution rate of the audit plan.
- ix.) Members expressed grave concerns as to why only eight OIO staff were funded by regular budget while seven were funded by Partners. Members noted that almost 50% of the current OIO staff complement is funded by Partners.

- x.) Members requested to know the human resource component of OIO for the year 2022 and how recruitments for the OIO structure could be expedited.
- xi.) Members requested for justifications as to why some Liaison Offices were not audited during the year 2021.
- xii.) Members inquired as to why and how it was possible for some offices to operate without Host Agreements. Members also wanted to know the related legal implications.
- xiii.) Members wanted to know the trend analysis of unused air tickets and what actions were taken to correct the matter.
- xiv.) Members asked if there were procurement policies and if complied with, and why the total amount of USD7,531,369.52 advanced to vendors was outstanding for more than 1 year.
- xv.) Members sought for clarification on the terminology used on salary advance of USD 14,196.62 to a staff in an AUC Office, whether it was loan or not and why the advance was granted without a valid contract.
- xvi.) Members asked as to why bank reconciliations were not done on monthly basis and what was the implication of non-performance of bank reconciliations.
- xvii.) Members requested for clarification whether the major findings (key observations) relate to PwC Forensic Report on AUC or how these findings relate to PwC Forensic Report on AUC.
- xviii.) Members expressed concern on the issue of un used tickets. Travel Unit should get clarification from the Airlines by consulting Ethiopian Airlines and other airlines on how to sort this out.

**18. *The Sub-Committee adopted the report and made the following conclusions and recommendations:***

- i. The OIO should ensure that draft minutes of the PRC Subcommittee on Audit Matters are completed and submitted to the Chairperson within one week from the date of the meeting.*
- ii. The OIO Activity report for 2021 should be revised to incorporate suggested changes including:*
  - Annexes for training breakdown with nature of certificates received,*
  - An updated list of all offices working without host agreements,*
  - Details of staff compliments and when staff resigned,*

- ***Trend analysis of unused tickets in comparison with total costs on tickets issued.***
- iii. ***The Directorate of HRM should expedite the recruitment process for OIO posts as a priority.***
- iv. ***The Chairperson of the Subcommittee appointed an open ended Task Force of Experts including members from Comoros, Cote d'Ivoire, Gabon, the Gambia and any other members willing to participate in the taskforce in collaboration with the OIO and Egypt on proposed Specific Recommendations with more emphasis on section 7 of the Activity Report 7 on Major observations.***
- v. ***OIO should share copies of its External Quality Assurance Report for year 2015 and 2020 to all members of the Sub Committee.***

#### **D. BRIEFING ON AUDIT FUNCTIONS AND CHALLENGES OF INTERNAL AUDIT/OVERSIGHT**

19. The presentation was made by the Coordinator, Office of Internal Oversight. The presentation included the background on the creation of the directorate, the Mandate & Authority as derived from the Internal Audit Rules and Regulations and various Executive Council Decisions, the internal audit & investigation processes, the services and audit areas of OIO, the tools & manuals used. He then outlined the challenges OIO faces in carrying out the oversight function.

20. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below:

- i. Members requested that the Audit Sub-committee should have full access to the documents as is the case for OIO (e.g. OIO reports, minutes of this sub-committee etc.) in order to be able to effectively perform its oversight mandate.
- ii. Members felt that as the OIO staff take an oath of office prior to taking up duties and responsibilities, so should the Sub-committee members take the oath of office to ensure that the confidentiality of the sensitive documents is safeguarded.
- iii. Members noted that the presentation made did not contain a specific section detailing inspection as part of the mandate of the OIO.
- iv. Members noted that OIO relied on whistle-blowers to report irregularities and were concerned that OIO did not initiate the investigations in case whistle-blowers did not make any reports.



- v. Members expressed concerns on OIO challenges in receiving responses from management. Members requested that a mechanism should be developed to ensure that staff respond to all OIO queries. For instance, since there are no sanctions for lack of implementation then it implies that staff members are not afraid and have no regards to the work of OIO.
- vi. Members asked whether OIO would have additional needs to give the function a clearer mandate in doing its work more appropriately and to further strengthen the OIO work.
- vii. Members expressed concerns that there was some under reporting as the OIO report given to the Subcommittee did not have all the figures and information, and additional concerns were raised on the quality of the reporting.
- viii. On follow up of implementation of recommendations, Members noted that the previously discussed activity report of 2021 did not have the recommendations and so was not possible to tell what was implemented.
- ix. Some Members noted a contradiction on the French version of the presentation, on the audit process where OIO indicated that during the fieldwork the auditors meet the management to brief them on the findings, then on reporting OIO submits the draft report to the management for their comments. Members felt that there was no need to request for management responses if OIO already had a meeting with the auditee / management. If the auditee is informed, then it means there is nothing else to be done. Members were concerned that the French version might not have captured exactly what OIO had intended to communicate.
- x. Members were concerned that though OIO presented that they have dual reporting lines, administratively (to the Chairperson of AUC) and functionally (to the Sub-Committee on Audit matters) there seemed to be less reference to the functional reporting to the Sub-committee on Audit Matters. Members wondered whether this meant that the Internal audit function was considered more of an administrative process.
- xi. Members sought to know the period covered by the current OIO 5-year Strategic Plan and whether it was approved by the Sub-committee.
- xii. Members wanted to know if management as well as the Sub-committee were informed of emails received from whistle-blowers as this was deemed important for transparency's sake.
- xiii. Members wanted to know if certification audits on Partner funds are performed by dedicated auditors whose salaries are paid from the Partners' funds.

- xiv. Members indicated that the AU Organs listed in the presentation seemed to be less than those known, further, it was suggested that the title be changed to “AU Organs and Institutions” in order to be legally correct.
- xv. Members sought for clarification on whether OIO audited the AU institutions e.g. African Capacity Building Institution (ACBF) and ARI. Members asked if they should be audited by OIO despite them being fully funded by other organizations.
- xvi. Members wanted to understand the differences if any between the audit software currently in use by OIO and the new one proposed for purchase with the help of the AfDB. Members noted that the OIO budget for next year had a substantial amount from AfDB for purchase of the audit software.
- xvii. Members expressed concerns on the staffing challenges faced by OIO including the departures of 6 staff (4 senior auditors and 2 auditors) and sought to know reasons for staff departure.
- xviii. Members expressed concerns on the challenge of OIO budget as it posed a probable breach of confidentiality attached to reliance on funding from partners. This being the case, members wanted to know if there were internal measures taken to ensure that Member States own this very important department of OIO. For instance, what measures were in place to ensure that OIO has sufficient capacity and budget to ensure department carries out the essential work expected of them.
- xix. Members requested for a provision of more information on the staffing challenge i.e. inclusion of the number of staff currently in OIO, the gap and how many more positions are urgently required to be filled.
- xx. Members expressed concerns on the challenge of repeated audit findings and asked if a benchmarking exercise with other Organizations like SADC, AfDB would help in overcoming the challenge? Members also wondered whether repeated findings were a sign that the internal control systems had not improved. Members felt that weaknesses in the system allows same mistake to be done repeatedly. Members also stressed the need for instituting sanctions system with a view of zero tolerance with violations of AU Rules and Regulations.
- xxi. Members expressed further concerns on the challenge of late receipt of management responses. Suggestions of sanctions on the auditees were floated, like imposing travel bans to managers with outstanding audit reports or lack of responses and late responses should attract consequences.
- xxii. Members reiterated that late responses display lack of corporation and commitment by the auditee and questioned whether the auditees are given a

- chance to evaluate the auditors. Some members felt that an evaluation system would help improve co-operation between the auditee and the auditor while others were afraid that the evaluation might be subject to abuse and would be a waste of time.
- xxiii. Members wondered if OIO had a Memorandum of Understanding (MOU) signed with Partners with a confidentiality clause which guarantees confidentiality. This is important since Partners that support OIO may demand OIO reports which are mostly confidential in nature.
- xxiv. Members noted some inconsistencies in the use of the names of OIO and OIA in the presentation. The OIO needs to standardize the use of its title as OIO and not OIA.

**21. In conclusion, the Subcommittee adopted the report and made the following recommendations:**

- i. The PRC Sub-Committee on Audit Matters should be involved more in the Reporting and Follow-up as part of the process of Internal Audit.***
- ii. To financially empower the OIO, its budgeting process should go through the Sub-committee on Audit Matters. Also, there is need to ensure that the recruitment of the 12 key staff is hastened.***
- iii. A team led by the Expert from Cote D'Ivoire mission should follow up the issue of access to documentation.***
- iv. The OIO in consultation with MIS and by benchmarking with other international organizations need to ensure that an electronic portal is created for documents bearing in mind the high level of confidentiality required. A set of rules should be drawn in regards to access to the shared information.***
- v. More information should be shared by OIO including:***
  - Details to be shared in the Internal Audit reports and the data to be dis-aggregated to show trends for comparison purposes.***
  - The OIO five (5) years strategic plan***
  - Presentation of the Audit Management Software.***
- vi. OIO should share with the Sub-committee the hotline email address used for whistleblowing. The hotline email is: InvestigationOIO@africa-union.org***

**E. CONSIDERATION OF THE MATRIX ON IMPLEMENTATION OF EXECUTIVE COUNCIL DECISIONS ON AUDIT MATTERS WITH MAY 2022 REPORTING DEADLINES AND UPDATED AS AT JUNE 21 AND THE WORK PROGRAM OF THE SUBCOMMITTEE ON AUDIT MATTERS FOR APRIL TO JUNE 2022**

22. The Director, Office of Internal Oversight (OIO) presented the report indicating that the matrix was divided into two parts of: - i) Urgent Executive Council Decisions on Audit Matters which had 73 decisions (including 6 preambles) that needed to be reported in May 2022 for June/July 2022 Executive Council meeting; and ii) Overall Executive Council Decisions on Audit Matters with all 253 decisions (including 29 preambles) made on audit matters. She pointed out that the Chairperson of the Subcommittee on Audit Matters has committed himself to ensure that the urgent decisions are followed up so as to enable the subcommittee report as required, and he had written to AU Leadership on the follow up. She also indicated that the OIO with support from the Chairperson of the Subcommittee will follow up the other decisions to ensure that they are implemented and a comprehensive update would be done after June/July meetings.

23. The Director also presented the matrix that was further updated as at 21 June 2022 together with the follow up made on the letters sent to the AUC Leaders. As at 21 June 2022, out of 67 critical and urgent decisions only 7 (11%) were implemented an increase from 1 (implemented at as at 17 May 2022 of the previous update), the on-going (continuous processes) were 23 (34%), and the ones in progress (whose process of implementation had started) were 23 (34%) and not implemented were 14 (21%).

24. On the total of 224 decisions on audit matters, members were informed that 86 (38%) were implemented, 50 (22%) were on-going, 60 (27%) were in progress, 20 (9%) were not implemented and 8 (4%) were awaiting feedback on the status of implementation. The overall implementation of ALL audit decisions stood at 61% as of 21 June 2022 taking into account both the implemented and on-going items.

25. The follow up on the letters sent from the Chairperson of the Subcommittee to AUC Leadership, no responses were received as at 21 June 2022.

26. On the draft work program of the Subcommittee, the Director highlighted the agenda items listed on the proposed dates of 20<sup>th</sup>, 26<sup>th</sup> and 27<sup>th</sup> April 2022, 06<sup>th</sup>, 13<sup>th</sup>, 17<sup>th</sup> and 20<sup>th</sup> May 2022; 16, 17 and 18 June 2022. She also indicated that the meeting to consider the 2021 Audited Financial Statements by the Board of External Auditors would be a Joint Sitting of the Sub-Committees on Audit Matters and General Supervision and Coordination on Budgetary, Financial and Administrative Matters, and Experts of the Committee of Fifteen Ministers of Finance (F15) to Consider the 2021 Audited Financial Statements by the Board of External Auditors in line with Article 94 of the New AU Financial Rules and Regulations.

27. Due to other meetings within the Union, the meetings in June were shifted to new dates of 15 and 22 June for the Subcommittee on Audit Matters and 24 June for the Joint Sitting on the Financial Statements.

28. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members appreciated and expressed their satisfaction with the quality of the excellent matrixes that the OIO produced. They thanked the Director OIO and her team for the excellence work they are doing.
- ii. Members urged the other PRC subcommittees to emulate the excellent manner on how the Subcommittee on audit Matters is operating.
- iii. Members once again reiterated the importance of planning a training for them, considering the importance of the Subcommittee. The skills of the members need to be enhanced so as to give more credibility of the work of the Subcommittee to the funders (i.e. Member States and Development Partners).
- iv. Members enquired on the possibility to revise the new AU FRR particularly the aspect on finalization/closure of Annual Financial Statements as to allow for early audits and hence early presentation of audit reports to Subcommittee.
- v. Members expressed concerns as to the slow rate of implementation of Executive council decisions relating to audit matters.
- vi. Members also noted that the implementation rate of critical or urgent decisions was lower as compared to other decisions.
- vii. Members noted that there were no indications of weight on the significance of the recommendations in the report.
- viii. Members also took note of the fact that most decisions raised were touching on the directorates of Human Resources and Finance.

29. **In conclusion, the Sub-Committee took note of the report and made the following recommendations:**

- i. **The meeting took note of the Matrix on Executive Council Decisions on Audit Matters (version of 03 May 2022) as a working document that needs updates and improvements accordingly to facilitate follow-up of implementation of decisions on audit matters.**
- ii. **The meeting also took note of the Work Program of the Subcommittee (version of 03 May 2022) and requested for further improvement of the draft program adding all the meetings of the Subcommittee (including the Experts Meetings) accordingly.**

- iii. **The Members requested OIO to indicate the significance of the executive council decisions in future updates.**
- iv. **The meeting requested the Commission, Organs and Institutions to respond and update the status of implementation of the decisions in a timely manner. (This to be realigned with the meeting of 22<sup>nd</sup> June 2022)**
- v. **Members requested management to improve on the rate of implementation of critical decisions by developing clear priorities on tackling the most urgent decisions.**

#### **F. BREIFING ON AUDIT FUNCTIONS AND CHALLENGES OF EXTERNAL AUDIT BY THE BOEA SECRETARIAT**

30. The Executive Secretary of the Board of External Auditors (BOEA) made the presentation on categories of the Mandate of the BOEA; Composition of the BOEA where only regional representatives rotate whilst the first Tier are all permanent instead of rotating among themselves as per requirements of the international standards; ARTS - Tool for Recommendations Tracking; BOEA's Auditees and the Terms of References and Deliverables of the BOEA. He also outlined the challenges for the secretariat and indicated that the BOEA could point out their challenges when presenting the 2021 audited financial statements.

31. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members once again reiterated that the development of the manuals could be done with a template that can be used to train the auditors especially the new ones, through induction in a retreat on AU norms.
- ii. Members sought to know from the BOEA Secretariat how independent is the office of the BOEA in executing its functions. Also on the preparation of the BOEA's annual operational budget.
- iii. On the challenges cited by the Executive Secretary pertaining to the legal vetting of the Rules of Procedures of the BOEA, members wanted to know when it would be done.
- iv. Members wanted to know whether the BOEA could present its budget directly to the PRC and if that was within the AU rules.
- v. Members enquired if the Audit Recommendation Tracking System (ARTS) is only for the BOEA or it also includes the recommendations from Internal Audit (OIO). If it's only for the BOEA, whether if it can track the recommendations from both BOEA and OIO.

32. ***In conclusion, the Sub-Committee took note of the briefing and made the following recommendations:***

- i. Members reiterated the need to arrange for a training as induction for the BOEA. This is more important for the new ones. Furthermore, to also arrange for the Subcommittee members' skills training as well as the OIO including other relevant departments of the Commission.***
- ii. Members urged Comoros to follow up on the note verbal sent through the Delegation to facilitate the nomination of members to the BOEA.***
- iii. Members recommended for the implementation status of both Internal and External Audit Recommendations be consolidated and the two sets be brought to their attention at the same time.***
- iv. Members further recommended for the composition of the BOEA be expedited as well as the rules of procedures be reviewed legally so as to be compliant with AU legal norms.***

#### **G. DISCUSSIONS ON CHALLENGES IN IMPLEMENTING AUDIT RECOMMENDATIONS**

33. The Managers of the AUC were called to highlight challenges experienced in the implementation of audit recommendations noting that there were still a number of them recommendations that were not implemented.

34. The Director of Finance indicated that the directorate is like any auxiliary functions with the issue of collaboration with other departments to implement audit recommendations which has been a challenge and assured members her commitment to ensure that they are implemented.

35. The Audit and Compliance Advisor from the Office of the Chairperson informed members that audit recommendations are grouped into categories of Systematic issues relating to internal control in nature; Consequences management with the driving force of Human Resources and also have a legal procedure to be followed with a possibility of having a higher risk, thus requiring further reviews or additional work to be undertaken. These need reasonable time in implementation, hence the delays. The other category has to do with policy interventions which could need review of rules and regulations and some processes.

36. The representative from the Office of Director General (DG) indicated that the DG considers audit matters so seriously and has expressed the seriousness and attention that needs to be given to audit matters by all the AU managers and would follow up the implementation despite being understaffed. as well as the need to establish the sanction regime as a key factor of accountability

37. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members commended that the Chair should invite AUC managers (from different departments) to make a presentation to the committee on issues ailing them in implementing audit recommendations.
- ii. The challenges on departments' collaboration should be addressed by the office of Director General (DG). The DG's function should be able to ensure departments collaborate and work together harmoniously.
- iii. Members expressed a disappointment on the oral presentations given by the AUC. Members indicated that they were expecting more than what is stated orally by the Directors/managers; Members expected a detailed presentation with examples for a better understanding.
- iv. Members reiterated that the AUC Directors/managers should provide examples of current audit recommendations that had not been implemented and factors affecting their implementation. For instance, the issue of unused tickets.
- v. Members indicated that the non-implementation of repetitive audit recommendations was of grave concern to them. To curb this situation, members suggested a brainstorming meeting between Director of Finance, DG and OIO to discuss a way forward.
- vi. Members noted that the cause of non-implementation could be that there were no direct sanctions to the managers concerned and thus felt they were not answerable for implementing the audit recommendations.
- vii. Further, to speed up implementation of audit recommendations, there should be monthly meetings to enhance collaboration and co-ordination within the AUC departments.

38. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***Members decided that this agenda item would be discussed in detail during the sub-committee on Audit matter's meeting to be held on 20<sup>th</sup> May 2022, due to the dissatisfaction of the responses received from the Director of Finance, and also since other core departments like HR and OSPD were not present in the meeting.***
- ii. ***The AUC managers were requested to prepare a 1-2 paged document with a list of the challenges experienced in implementing audit recommendations, citing examples for better understanding. The list***



***should be circulated to the members of the sub-committee before the 20<sup>th</sup> May 2022 meeting. Amongst others, the departments/units that must submit their responses are Finance, Human Resources, Strategic Planning, Partnership Management and Travel Unit.***

- iii. The OIO was asked to ensure that the Cabinet of DCP and the Director General (DG) are requested to be present personally in the next meeting given their co-ordination role at AU.***

## **V. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF AFRICAN COURT ON HUMAN AND PEOPLE'S RIGHTS (AfCHPR-The Court) FOR THE YEAR ENDED 31ST DECEMBER 2021**

39. The budget performance report was presented by the Senior Internal Auditor, resident at the Court. He indicated that the total expenditure of the Programme budget was USD3,918,988 which represents 90% execution rate of the total budget **and** 94% of the available funds. The total expenditure of the Operational budget was USD6,768,600 which represents 89% execution rate of the total budget and 91% of the available funds, and that an amount of USD11,631,309 was released to AfCHPR which represents 97% of the AfCHPR's total revised budget.

40. The Senior Auditor explained that 20 (Twenty) activities were planned for the year 2021 of which 18 (Eighteen) activities were implemented during the year which **represents** 90% of the planned activities. He also indicated that extra funds from Partners were used without approval and there was partial implementation of decision Ex.CL/Dec. 1057(xxxv) on payment of honorarium and other allowances as the Court is paying USD500 per day instead of USD150 per day on new Judges.

41. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members noted that in general the budget execution rate as well as implementation of the planned activities were commendable and appreciated. However, members requested for clarification as to why AfCHPR received money without the authorization of the Policy Organs.
- ii. Members reiterated the importance of conducting an investigation on the violation of the FRR with regard to receiving unauthorized money.
- iii. Members requested for clarification as to why the AfCHPR has been paying honorarium of USD500 per day instead of USD150 per day contrary to Niamey decision.

- iv. Members also raised concerns on whether to recover the overpaid amounts for the beneficiaries or not.
- v. Members requested for clarification as to why AfCHPR has not been complying to the existing AU Rules and Regulations for payment of DSA for extra days.
- vi. Members have raised concern whether honorarium payment of USD150 per day was enough for the judges to render their professional services.
- vii. Members also requested for clarification on what the AfCHPR has done so far regarding the issue of honorarium so as to revise the Niamey decision.
- viii. Members requested for clarification as to why the AMERT system has not been rolled out at AfCHPR

42. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. **The Sub-Committee requests the AfCHPR to implement fully all the recommendations contained on its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.**
- ii. **Members agreed not to conduct an investigation for the money received without the approval of policy organs. However, there is need to issue a strong warning on the matter for the AU Organs to abide to AU Rules and Regulations and the various decisions passed.**
- iii. **Regarding the payment of Honorarium payment for the Judges, the existing Executive Council Decision should be strictly followed. However, it is incumbent upon the Court to make the necessary request for revision of the decision. Pending the revised executive council decision, the existing decision should be strictly followed.**

#### **H. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE REPORT OF AUABC FOR THE YEAR ENDED 31ST DECEMBER 2021**

43. The budget performance report was presented by the Senior Internal Auditor, **resident** at the Court. He indicated that the total actual expenditure on the Programme budget was USD178,350.85 which represents only 41.20% of the total budget and 65.30% of the available funds. Total expenditure on the Operational budget was USD1,258,844.12 which represents 75.7% of the total budget and 92.5% of the available

funds. Six (6) programs were planned, of which five (5) were implemented during the year which represents 83% of the planned activities.

44. The *Senior Auditor* also indicated that AUABC does not use AMERT system to report its activities and uses excel sheet since the system was not rolled out at AUABC during the year 2022. Short duration of virtual meetings causing loss to the Union as freelancers were still paid full contract amounts.

45. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members requested for clarifications regarding the circumstances beyond the control of the AUABC that forced to implement less than 40% of the approved budget on ten (10) budget lines.
- ii. The members requested for clarification why the execution rate for activity of Conducting the African Annual Anticorruption Dialogue was only 34.7% while it is the core mandate of AUABC.
- iii. Members raised a concern regarding the name of the Organ and requested for clarification. The members stated that representative of the Republic of Nigeria reiterated that the name of this board should be “African Union Advisory Board Against Corruption” but still the name is AU Advisory Board on Corruption (AUABC).
- iv. Members requested for clarification why the virtual meetings are taking short time (from 6 minutes to 98 minutes) instead of longer hours in a day where AUABC could have saved costs of interpreter’s/translator’s salary which is normally based on daily basis and not on hourly basis. The members also requested for clarifications on the availability of members for longer hours since engaging for shorter hours will have cost implication.
- v. Members raised concern regarding inconsistency between the budget execution for two activities which were fully implemented with the budget execution rates of 35% and 61% of availed funds, which was believed to be due to over-budgeting. Furthermore, Members stated that recommending to develop “Key Performance Indicators” for projects is not a strong recommendation as key performance indicator is simply a guide and recommended to be rephrased as “objectively verifiable indicators be developed”.
- vi. Members have raised a concern that there is a sort of disagreement between the Secretariat of the Board and members of the Board as noted from management response.

- vii. Members requested for clarification on the proportion of the program budget and operational budget. The operational budget is USD1,367,847 (76%) of the approved budget whereas program budget is USD432,676 (24%) of the approved budget. However, with the mandate given to the AUABC the budget of program budget was supposed to be higher than the operational budget.
- viii. The members requested for clarification as to why the AMERT system has not been rolled out at AUABC. The AMERT system was supposed to be used across the Union for all the Organs as there is an Executive Council decision enforcing the use of AMERT system in AU.
- ix. Members requested for clarification and the nature of the training under budget line AUABC107 – Training Costs, having a budget of USD5,000, released budget of USD300 and execution of only USD271.

46. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. The Sub-Committee requests the AUABC to implement fully all the recommendations contained on its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.***
- ii. The Subcommittee reiterated that the AUABC and all other Organs should make use of AMERT system for planning, monitoring and reporting of programs.***
- iii. The Subcommittee requested AUABC to improve their execution rate especially on program implementation.***
- iv. The Subcommittee requested AUABC to follow-up and implement the change of its name in line with the Executive Decision.***
- v. Organs should implement the recommendations and the comments from Member States. This should be the first recommendation in all internal audit reports.***

#### **I. INFORMATIVE RECAP OF PWC FORENSIC AND PERFORMANCE AUDIT OF AUC 2012-2018**

47. The informative recap was presented by the OIO Coordinator indicating that the audit was referred to by PWC as Project Synchrony and that the OIO would not be subjected to clarifications with regards to the PwC's approach as well as the Level of Findings and Recommendations. He outlined the Audit Background, Objectives and Scope; and the Coverage of AUC Offices. He further took the meeting through the key issues raised in the PWC report under categories of Staff Recruitment & Contract

Renewal; Procurement and Travel Practices; Finance and Accounting Systems; Management of AU Peace Funds; and also the Proposed Next Steps by the Auditors.

48. Following the presentation, the Chairperson urged the members to reserve their comments and remarks until the meeting of 20th May 2022, where the report on the status of implementing PwC recommendations would be tabled.

#### **J. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF AfCFTA (AFRICAN CONTINENTAL FREE TRADE AREA) FOR THE YEAR ENDED 31 DECEMBER 2021**

49. The OIO Coordinator presented the report indicating that the overall total actual expenditure was USD6,285,470 which represents only 45% of the total budget and 65% of the available funds. The total actual expenditure on the Programme budget was USD3.6M which represents only 45% of the total budget and 83% of the available funds. The OIO's conclusion was that the execution of programme budget was "*Satisfactory*". The total expenditure on the Operational budget was USD2.7M which represents 51% of the total budget and 51% of the available funds with the main reason being delays in recruitment. The OIO's conclusion was that execution of operational budget was "*Unsatisfactory*". He also reported that the VAT and other similar taxes were not claimed or accounted for as a receivable but were expensed.

50. He further reported that Ninety-Six (96) programs were planned, out of which 26 were implemented during the year which represents 27% of the planned activities. In addition, 37 activities (39%) had been started but not completed while 32 activities (34%) had not started at all. The OIO's conclusion was that technical execution was "*Unsatisfactory*".

51. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members expressed concerns about the low levels of programme execution of planned activities. Members requested the AfCFTA Secretariat to improve completion of planned activities.
- ii. Members were concerned about the lack of quarterly planning, as this is required by AU Travel Policy. Members advised that non-compliance to established practices should be stopped immediately and not become a norm at this new office.
- iii. Members were also concerned about non-use of AMERT and noted that the issues of not using AMERT is cutting across most organs of AU.
- iv. Members supported the recommendation for AfCFTA Secretariat to engage Development Partners to honor their commitments and pledges.

- v. Members also requested the AfCFTA Secretariat to resolve the issue of not preparing quarterly plan and the issue of not claiming VAT and other taxes.
- vi. Members noted that executive summary of the audit report did not reflect execution on operational budget on available funds (released funds).
- vii. Member noted that the paragraphs numbering in the French version of the audit report were not aligned to the English version

52. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. The Sub-Committee requests the AfCFTA secretariat to implement fully all the recommendations contained on its Internal Audit Report on Budget Performance for the year 2021.***
- ii. The Sub-committee specifically emphasised that the AfCFTA Secretariat should start immediately preparing quarterly plans in line with AU travel Policy so as to reduce travel costs caused by delays in planning***

#### **K. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF AUDA-NEPAD (NEW PARTNERSHIP FOR AFRICAN DEVELOPMENT) FOR THE YEAR 2021**

53. The Senior Auditor of AUDA-NEPAD presented the report indicating that the total approved AUDA-NEPAD's budget for the year 2021 was USD29,770,056. The overall execution rate for the period was 79% on approved budget and 94% on revised budget. The operational budget for the year was USD11,167,590. The total expenditure on the operational budget for the period was USD11,091,847 representing 99% execution rate, whilst the Programme budget for the year was USD5,000,000 with total expenditure of USD4,852,630 representing 97%

54. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members commended AUDA-NEPA on the high execution rate of the overall budget.
- ii. Members noted that the AUDA-NEPAD's Internal Audit Report on Budget Performance was too summarized and requested the auditor to add adequate details and information in future for ease of understanding and appreciating the issues raised.

- iii. Members also noted that the format of the reports submitted for some Organs was different and reiterated that in future all the reports should be a same format to facilitate comparison of performance across the Organs.
- iv. Members also expressed concerns on the low execution rate especially on some programs that were funded by Development Partners.
- v. Members also raised concerns on the low execution rate particularly on the Fund 2004 – “*Regional TB in the mining sector initiative*”. Members noted that the execution is not proportionate to the TB problem in Africa, and wanted to know the challenges faced by AUDA-NEPAD in implementation of this project.

55. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Sub-Committee requests the AUDA-NEPAD to implement fully all the recommendations contained in its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.***
- ii. ***The Sub-committee requests the Auditor for AUDA-NEPAD to harmonise the internal audit reports on budget performance by adopting the OIO format and to include adequate information in future when reporting on budget performance of AUDA-NEPAD***

#### **L. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF ECOSOC (ECONOMIC, SOCIAL AND CULTURAL COUNCIL) FOR THE YEAR ENDED 31 DECEMBER 2021**

56. The OIO Coordinator presented the report highlighting the key observations on the budget execution for the ECOSOC, that the original budget was USD2.7M of which USD1.1M was allocated for programs and USD1.6M for the operational budget. The total expenditure of the Programme budget was USD899,860.85 which represents 81.83% execution rate of the total budget. The total expenditure of the Operational budget was USD1,279,947.62 which represents 52.17% execution rate of the total budget. The total execution rate, both to Programme and Operational was 61.35%. He also informed the meeting that there was inadequate staffing and the SAP was not yet in use in 2021.

57. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members commended the ECOSOC Secretariat for the above average execution rates despite being understaffed. Nevertheless, members supported the recommendation of expediting the recruitment process.

- ii. Members reiterated the harmonization of the ECOSOC Secretariat positions in line with the executive council decisions.
- iii. To avoid over budgeting and under execution, ECOSOC was requested to factor in its human resources capacity challenges as they budget for the year 2023.
- iv. The meeting also noted and appreciated the informed that the Chair of the Sub-Committee had sent a memo to AU chair on issues of governance of ECOSOC including those of recruitment.

58. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. The Sub-Committee requests the ECOSOC Secretariat to implement fully all the recommendations contained in its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.***
- ii. The Sub-Committee emphasized on the need to expedite the recruitment process for the vacant positions (include number of critical positions) at ECOSOC.***
- iii. The Sub-Committee reiterated on the harmonization of the ECOSOC Secretariat positions in line with the Executive Council decision.***
- iv. All Organs should use AMERT***

#### **M. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF PAP (PAN AFRICAN PARLIAMENT) FOR THE YEAR ENDED 31ST DECEMBER 2021**

59. The Ag. Senior Auditor PAP presented the report indicating that the approved budget of the PAP for the year 2021 was USD11, 887,700 and the total amount of USD7,970,623 was utilized during the year, which represents overall utilization rate of 67%. Staff cost, which is 69% of the total revised budget had 81% utilization rate, while the Bureau, Parliamentary and Programmes budgets, which constituted 31% of the total revised budget had average utilization rate of 34% due to non-functioning of the Parliament in 2021.

60. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -



- i. Members sympathized with PAP on the current impasse on the election of the Bureau Members and hoped the situation will be sorted out sooner.
- ii. Members expressed concerns on the low rate of implementation of the program budget.
- iii. Members were further concerned with the low implementation of audit recommendations at PAP.
- iv. Members suggested that the name of the audit unit at PAP should be referred to as OIO instead of OIA.
- v. Members wanted to know if the draft standard agreement is in line with the AU agreement with Partners.
- vi. Members noted that the format of internal audit report of PAP was different from OIO reports. The report had lots of tables but it was difficult to comprehend some of them. Members suggested to standardize reports using the same format across the organs.

61. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Sub-Committee requests PAP to implement fully all the recommendations contained in its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.***
- ii. ***The Sub-committee requests PAP Audit Unit to harmonize its internal audit reports on budget performance by adopting the OIO's format***

#### **N. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF ACHPR (AFRICAN COMMISSION ON HUMAN AND PEOPLES RIGHTS) FOR THE YEAR ENDED 31ST DECEMBER 2021**

62. The Director OIO presented the report indicating that the Overall execution rate for the year 2021 was 72% on both budget and available funds. The office had a satisfactory performance of executing above 90% of its planned programs and 79% of its planned activities. There is no AMERT System and reports are done using excel sheets. She also indicated that there is inadequacy of staffing at ACHPR and challenges of ratifications affecting the budget performance.

63. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members requested for clarifications regarding the circumstances leading to low and execution of above 100%. Members wondered as to why the office did not request for supplementary or virement to address the wrong execution rates.
- ii. Members once again expressed grave concerns (just like observed on some other Organs) on the ACHPR not using the AMERT for reporting and monitoring of the programs/activities implementation.
- iii. Members noted that the human rights issues concerning ratifications and accessibility/restrictions from the State Parties are beyond the Banjul Commission and hence there is need for the appropriate Policy Organs to address them accordingly.

64. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Sub-Committee requests the ACHPR (Banjul Commission) to implement fully all the recommendations contained in its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.***
- ii. ***The Subcommittee deferred the issues on inadequate staffing at ACHPR until the meeting of the 20th May 2022, when the Director of AHRM should be present to handle them along with other issues emanating from PwC Forensic Report of AUC.***

#### **O. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF APRM (AFRICAN PEER REVIEW MECHANISM) FOR THE YEAR ENDED 31 DECEMBER 2021**

65. The Director OIO presented the report indicating that the total budget for APRM for the year 2021 was USD 11.60 million. USD 5.83 million was for programmes and USD 5.77 million for the operational budget. The overall execution rate for the period was 76% of revised budget and 81% of the released budget funds. APRM planned to carry out 21 projects with 127 activities. Out of the total of 127 activities 106 (84%) had been achieved by 31st December 2021. She also reported that few open commitments noted which have affected overall execution rate and that the COVID-19 challenges caused delays in adoption of 2021 Africa Governance Reports and consequently the projects were deferred to the year 2022.

66. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members commended APRM for the high budget execution rate, however, members reiterated that there is room for improvement and therefore urge APRM to do more in the following year.
- ii. Members also commended the APRM for using the AMERT system for planning and monitoring of their programs.
- iii. Members noted the differences between the figures in the table and the executive summary on the overall budget execution rate and requested for clarification as to why there are differences on the figures/rates

67. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Sub-Committee requests the APRM to implement fully all the recommendations and comments of the Member States contained in its Internal Audit Report in Budget Performance for the year 2021.***
- ii. ***Members recommended that the figures in the report should be aligned.***

#### **P. CONSIDERATION OF INTERNAL AUDIT REPORT ON BUDGET PERFORMANCE OF AFRICA-CDC (AFRICA CENTRES FOR DISEASE CONTROL) FOR THE YEAR ENDED 31 DECEMBER 2021**

68. The Director OIO presented the report indicating that Africa CDC's original budget was USD 109,512,746. An amount of USD12,423,380 was allocated for programs budget; USD92,885,498 was allocated to COVID-19 Special Fund whilst USD4,203,868 was allocated for the operational budget. The total overall actual expenditure was USD18,108,046 which represents only 17% of the total budget and 17% of the available funds. The total actual expenditure on the Programme budget was USD2,418,108, which represents only 19 % of the total budget and 24 % of the available fund, whilst the total expenditure on the COVID-19 Special Fund was USD 12,987,401, which represents 14 % of the total budget and 14 % of the available funds. She also informed the meeting that the Africa CDC was partly under AUC using the same company code causing some errors in entering data and that some funds received were not entered in AMERT System.

69. The Deputy Director of Africa CDC pointed out that the report should be read in the context of four issues/challenges faced by the Africa CDC such as funds to be utilized in a period of three years (2020 to 2022), delays in recruitment, staff on programmes being moved to support COVID-19 interventions, delays in getting approval to use the funds and travel restrictions which posed a challenge on implementation of some activities.

70. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members took note of the four points raised by the Deputy Director of Africa CDC but pointed out that they look forward to improvements in the coming years.
- ii. Members empathized with the office on the issue of staffing and emphasized the need for Human Resources Directorate (HRD) to address this problem.
- iii. Members reiterated that Africa-CDC should take into account its capacity challenges (including staffing) when budgeting for the next year, 2023

71. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Sub-Committee requests the Africa-CDC to implement fully all the recommendations contained in its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.***
- ii. ***The Sub-committee requests HRMD to report on the staffing challenge of Africa CDC during the upcoming sessions of the subcommittee on audit matters***

#### **Q. CONSIDERATION OF INTERNAL AUDIT REPORT ON THE BUDGET PERFORMANCE OF AFRICAN UNION COMMISSION (AUC) FOR THE YEAR 2021**

72. The Director OIO presented the report indicating that the AUC total budget was USD 252.0M. USD 149.4M was allocated for programs budget and USD 102.6M for the operational budget. The overall total actual expenditure was USD152,753,477 which represents only 61% of the total budget and 75% of the available funds. The total actual expenditure on the Programme budget was USD66.3M which represents only 44% of the total budget and 65% of the available funds. The OIO's conclusion was that execution of programme budget "*Needs further improvement*". The total expenditure on the Operational budget was USD86.5M which represents 84% of the total budget and 85% of the available funds, which was rated as "*Satisfactory*".

73. The Director OIO also indicated that, as reflected in the AMERT system, 325 outputs were planned out of which only 72 (22%) were achieved (completed) by 31 December 2021. Activities on 174 (54%) outputs had been started and were still in progress while activities on 21 (6%) outputs had not started by the end of the year. Activities on 58 (18%) outputs for 12 projects could not be reviewed as they had not been submitted in the AMERT system at the time of the review.

74. The Director OIO further reported to the meeting on the results of the survey carried out by the OIO following the Executive Council decision reference number

EX.CL/Dec.1107(XXXVIII) paragraph 65 (b), which requested for an investigation on low Partner Funding. She highlighted the reasons given by Partners and also the recommendations Partners gave to improve the flow of funds to the AUC. She also informed meeting of the continued limitations of AMERT System leading to dial programmes reporting systems and the potential loses on unused air tickets.

75. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members expressed concerns as to why the level of program execution dropped to 65% from 71% achieved during the comparable period.
- ii. Members expressed a great concern on departments that have continued the delays of submitting the annual reports in AMERT system. Members wanted to know the reasons as to why annual reports were not completed in AMERT system on time.
- iii. Members reiterated the need to apply sanctions on those departments that did not submit annual reports in AMERT system, as a means to stop this practice in future.
- iv. Members asked whether the users of AMERT system faced any challenges and if attempts have been undertaken to improve the AMERT and other reporting systems. If challenges exist, then they should be escalated for solutions and members would be ready to support AMERT improvements if advised as appropriate.
- v. Members advised that Partners should not be blamed in any way, instead the AUC should look into its own processes and improve program implementation and management.
- vi. Members noted an error on item 2(b) and section 3.3 para 8 where program actual expenditure was reported as USD 66,268,330 and USD 61,708,493 respectively.
- vii. Member expressed their concern on many cases funding was adequate but the problem was on program implementation. Members asked why some departments had 0% execution rates on some activities. Members asked as to why the project execution/completed activities was very low at 22%.
- viii. Members emphasized on the need to focus on outputs in reporting. Hence need to change from reporting on activity to results based reports.
- ix. Members expressed their concern as to why the unused air tickets were still appearing and what should be a way forward.

- x. Members questioned as to why one activity with a budget of USD98,525 under Finance Directorate had no identified funding sources.
- xi. Members expressed their concern as to why AUC was not able to comply with Partners' agreements and work plans.
- xii. Members observed that most of departments' problems are related to human resources, unrealistic planning and procurement delays. These have been the same problems year in, year out and wondered why the AUC management cannot find a solution to such problems.

76. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Sub-Committee requests the AUC to implement fully all the recommendations contained in its Internal Audit Report on Budget Performance for the year 2021 and comments of Member States.***
- ii. ***The Sub-Committee requests the Director of OIO to double check the list of departments that submitted annual reports in AMERT on time as per deadline, but due to technical challenges the reports failed to feature in AMERT system as submitted. In this regard, a final list of departments which did not submit their reports in AMERT as per deadline, should be presented to the PRC Sub-Committee on Audit Matters during the next meeting. To be updated and confirmed list will escalate the recommendation to PRC on the departments which failed to submit their 2021 annual reports in AMERT for final recommendations to the Executive Council for Sanctions.***
- iii. ***The Sub-Committee requests that all departments should submit their annual reports in AMERT on a timely manner starting with the year 2022.***
- iv. ***The Sub-committee requests HRMD to look into the staffing challenges departments are facing and develop a comprehensive recruitment plan so as to avail minimum required staff complements for implementation of programmes.***
- v. ***The Sub-committee to dedicate a session on HR matters to address issues related to staffing as indicated in the various audit reports.***

#### **R. CONSIDERATION OF THE INCEPTION REPORT ON FORENSIC AND PERFORMANCE AUDIT OF OTHER AU ORGANS.**

77. The Partner of Lochan & Company, Mr. Sharad Agarwal presented the inception report on Forensic and Performance Audit of other AU Organs (ACHPR, AfCHPR, AUABC, AUDA/NEPAD, APRM & PAP). He informed the meeting on the processes taken

by the company including the critical initial meetings undertaken with AUC Leadership and the Chairperson of the Subcommittee on Audit Matters representing the Member States, the documents reviewed and the plans and schedules made for the audit for all Organs under review. Mr. Agarwal also informed the meeting that there were some challenges already experienced during the audit which included meeting with Political leadership of the Organs and delays in submitting documents by the Organs, and gave the percentages of the documents received from each organ.

78. Mr. Agarwal also outlined the the audit approach which had five phases of: - Understanding the expectations; Planning and desk review; Control risk assessment; Field visit and analysis; and Quality review and reporting. He then indicated the revised deliverables and timelines. The timelines showed that the final reports will be issued on 30 July 2022 which is 30 days after the expiry of the contract. To this effect, the Company requested for a “no objection” to extend the final delivery date by 30 days, sighting the reasons for the anticipated delay.

79. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members expressed concerns on delays in receiving the data and information requested. Members advised that relevant Organs should be instructed immediately to provide documents and all relevant information as soon as possible.
- ii. Members noted with great concerns that some of the AU Organs have not taken this forensic work with the seriousness and priority it deserves. Letters should be sent to all Organs to emphasize on the importance of this work and cooperating with Lochan as appropriate.
- iii. Members also noted with concerns some delays encountered on conducting meetings between Lochan and the Political Heads of the AU Organs.
- iv. Members also noted that the report and presentation only mentioned engagement with the OIO and not the BOEA, and wanted to know when the BOEA would be contacted.
- v. Members were concerned about the extension of additional 30 days as requested by Lochan. However, they indicated that, such extension could be granted if there is no additional cost to the AU

80. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Subcommittee recommended that the 30 days’ extension requested by Lochan & Company should be granted at no cost to the African Union;***

- ii. ***The Subcommittee recommended that the scheduled kick-off meetings between Lochan and the remaining Political Heads of Organs should be conducted as soon as possible;***
  - (i) ***The Subcommittee also recommended that all the relevant AU Organs should be instructed to provide the requested documents and information on a timely manner. Further the Chair of the PRC subcommittee on Audit Matters indicated that he will communicate with the organs through written letters to ensure their full cooperation with the forensic audit firm.***
- iii. ***The Subcommittee also requested that the required regular update on the progress of the audit should be given as appropriate through the Chairperson of the Subcommittee.***

## **S. CONSIDERATION OF THE MATRIX ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS AS AT 31 DECEMBER 2021**

81. The Coordinator of OIO presented the report stating that the Implementation Matrix on **Internal Audit Recommendations** was as at 31<sup>st</sup> December 2021, and did not include the recommendations by the BOEA as the audit of the 2021 financial statements was still going on and the Board would present the follow up on the previous recommendations when presenting the report.

82. The Coordinator of OIO explained that the OIO tracked a total of 1,284 audit recommendations on its final internal audit reports issued for the period January 2016 to December 2021. The overall implementation status had 952 (74%) recommendations implemented; 205 (16%) in progress; and 127 (10%) not implemented. He further outlined the challenges for non-implementation and also gave the breakdown of outstanding recommendations by Organ.

83. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members stated that the OIO report did not indicate the percentages of implementation of the ongoing or in-progress recommendations.
- ii. On the host country agreements, members stated that the subcommittee had requested the Office of Legal Counsel (OLC) to provide a list of offices and Organs working without the host country agreement. However, the subcommittee had not yet received the list. This delays the adoption of the report on OIO activities of 2021.
- iii. Members also stated that the subcommittee was looking forward to receiving updates from the Internal Accountability Committee (IAC) on the steps and



measures taken to implement the recommendations and disciplinary measures against those who refuse to implement.

- iv. Members acknowledged the suggestion to review the structures and policies and also asked the Commission to also look on the practices and processes, because overlooking them would not lead to achieving what was required. The AU Commission should review its practices and recommend for changes so as to address the concerns raised.

84. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The Subcommittee took note of the OIO update on the Implementation Matrix of Internal Audit Recommendations and urges the OIO to continue with the periodic follow-up accordingly and the comments by the Member states.***
- ii. ***Members requested the Commission to provide a consolidated matrix for all types of audits (Internal, External and forensic) categorically in one report.***

#### **T. CONSIDERATION OF THE OLC'S REPORT ON HOW THE GOVERNANCE ISSUES WOULD BE RESOLVED AT AFRICA COMMISSION ON HUMAN AND PEOPLES' RIGHTS (ACHPR) AND ADVISORY BOARD ON CORRUPTION (AU-ABC)**

85. The Representative of the Office of Legal Counsel presented the report on behalf of the Ag. Legal Counsel highlighting the issues separately under each Organ. She indicated that the report was being submitted in pursuant to the Executive Council decision EX.CL/Dec.1126 (XXXIX) that requested the Office of the Legal Counsel (OLC) to make a written report on how governance issues would be resolved at Advisory Board on Corruption (AUABC) and Africa Commission on Human and Peoples' Rights (ACHPR).

86. Under ACHPR, she outlined the issues under the headings of: - Inconsistencies between the Charter, Rules of Procedure and FRR; Operational Challenges; Legal Analysis of the issues and the Recommendations of the OLC on ACHPR.

87. Under AUABC, she outlined the issues under the headings of: - Inconsistencies between the rules of procedure and the financial rules; Operational Challenges; Legal Analysis of the issues; and Recommendations of the OLC on AUABC.

88. In recognising the presence of the Political Leadership of the two Organs, the Chairperson of the Subcommittee invited them to comment on the report.

89. The Chairperson of ACHPR raised concerns on the perceptions presented in the OLC's report which needed to be clarified especially the relationship between the Commissioners and the Union. He showed his readiness to discuss further the report submitted by the OLC and proposed for a meeting with the OLC and the Secretariat in order to clarify all the grey areas hampering the execution of the mandate vested to ACHPR in Banjul.

90. The Chairperson of AUABC indicated that the Board has the Secretariat that assists the Board to execute the mandate vested to AUABC and raised concerns on the persisting problems between the Board and the Secretariat. He informed the meeting that various meetings and retreats took place and decisions were made to improve the working relationship between the Board and the Secretariat without positive results. He raised concerns on the Executive Secretary taking decisions without consulting the Board which needs to be addressed and that as the Political Head of the Organ, he has taken initiative to discharge some activities of AUABC where the Executive Secretary has not been cooperative.

91. Following the presentation, the Chairperson of the Subcommittee advised that the discussions on the matter needed time and since there was another meeting taking place, the discussions would be done in subsequent meetings of the Subcommittee.

92. ***In conclusion, the Sub-Committee made the following recommendations:***

- i. The Subcommittee requested both Chairpersons (i.e. Chairs ACHPR and AUABC) to submit written reports on their concerns.***
- ii. The Subcommittee requested both chairs to have a meeting with OLC to clarify any grey areas contained in OLC's report.***
- iii. The Subcommittee agreed to come back to this agenda item in the coming meetings and conclude on the matter as appropriate.***
- iv. To merge the reports ACHPR and AUABC)***

## **U. BRIEFING ON THE OIO 2023 BUDGET PROPOSAL**

93. The Director of OIO presented a briefing on the OIO 2023 Budget Proposal indicating that the OIO proposed total budget for 2023 was USD717, 448, broken down as USD501, 763 for programs and 215,685 for operational budget. She indicated that the operational budget of USD215, 685 was under the overall AUC operational budget, but was being presented to the Subcommittee on Audit Matters in line with its TORs. She further informed the meeting that the programme budget was above the ceiling of USD131,000 because of the two new big projects under the AfDB funding on procurement of Investigation and new Audit management software, and that the operational budget was on audits of Organs, Technical /Regional/Representation Offices and Liaison Offices

and for investigation activities, whilst the personnel costs was centralized under global staff costs.

94. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members noted that the capacity building for the PRC Subcommittee on audit matters was not reflected in the OIO's program budget and requested OIO include it in the budget.
- ii. Members also recalled that according to the Executive Council decision number 1097 paragraph 70, the AU Commission is supposed to organize a retreat for PRC subcommittee on Enterprise Risk Management to enhance the oversight role of the subcommittee.
- iii. Members were concerned that they have many documents to review and have limited time to do so. Hence there is need to have a retreat where they could concentrate on the subcommittee's work.
- iv. Members indicated that they would support the excess on the budget ceiling on the condition that funding was secured from AfDB to avoid budget gaps. The amounts should include all the updates required and trainings for the software and annual license fees to ensure sustainability of the project.
- v. Members sought clarification on the budget execution rate of OIO which was 104% on the released funds on 1 activity for the year 2021.

95. ***In conclusion, the Sub-Committee took note of the briefing and made the following recommendations:***

- i. The Subcommittee pledged to support the OIO budget when it comes up for hearing during the PRC meetings as it had legitimate needs looking at the work of the OIO.***
- ii. The Subcommittee requested the OIO to budget for members' trainings and future subcommittee's retreats as appropriate.***

#### **V. FOLLOW UP ON OLC REPORT ON HOW THE GOVERNANCE ISSUES WOULD BE RESOLVED AT AUABC AND ACHPR**

96. The Director of OIO briefed the meeting on the processes taken following the conclusions of the meeting of the Subcommittee held on 20 May 2022. She then made a summary recap on the issues raised in the OLC report. The Representative of Finance Directorate also made clarifications on the Controlling Officers of the AU Organs as stipulated in the New Financial Rules and Regulations.

97. The Chairperson of ACHPR made a summary presentation of the written response clarifying on the legal and fiduciary relationship between Commissioners and the Secretariat; the perception that Commissioners are part-time when they actually work through out on Union matters; and the inconsistencies between the provisions of the AU Legal Instruments which the ACHPR agrees to be amended.

98. The Chairperson of AUABC also made a summary presentation on the written response indicating that they made engagements with the OLC to clarify issues; that they fully observe and support the recommendations of OLC in particular on the proposal that the Chairperson of AUABC is full time and the implementation of Executive Council Decisions EX.CL/Dec.641(XVIII) and EX.CL/Dec.843(XXV) so as to improve the performance of the Organ and effectively address governance-related issues.

99. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members noted the governance challenges faced by the Organs affecting the general financial and administrative operations due to the conflicts in the norms governing the organs.
- ii. Members therefore noted the need to align the rules of procedures with the AU Rules and Regulations to close these gaps.
- iii. Members urged the OLC to work with the Organs so as to develop a document to be submitted to the Subcommittee on the recommendations on the amendments needed in these legal instruments.
- iv. Members also requested for proposals on the modalities and structures needed on appointment of political leaders which should be submitted to the respective Policy Organ Bodies through this subcommittee once developed.
- v. Members further noted the need to implement the recommendations of OLC whilst awaiting the amendments of the relevant legal instruments

100. ***In conclusion, the Sub-Committee took note of the presentation and made the following recommendations:***

- i. The OLC in consultation with AUABC and ACHPR to submit to the Sub-Committee a report on what articles require amendment on various legal instruments, including the Rules of Procedures of the two Organs.***
- ii. The Report should also include the Financial, Legal and Structural implications on the proposed amendments of each Organs, to be submitted to the relevant Policy Bodies through the Subcommittee on Audit Matters.***

- iii. The possible modalities of appointing the Chairpersons of both Organs on a full-time basis should also be clarified in the report.*
- iv. The Organ should adhere to the current mandate as presented and recommended by the OLC until amendments are made to the legal instruments, in particular, the Executive Secretaries should run the day to day financial and administrative operations of the Organs including supervision of staff.*
- v. The OLC should ensure that the report is submitted to the Subcommittee on Audit Matters by 30 November 2022.*

## **W. BREIFING ON OIO 2022 AUDIT PLAN**

101. The Director OIO Briefed members on the processes followed in the preparation of the annual audit plan, the content of the plan, the ranking of the audit projects according to risks, the allocation of man hours and the approval processes.

102. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members commended the OIO for the effective planning done each year, in particular the allocation of man hours to the projects.
- ii. Members suggested that the training and orientation of Members of the Sub-committee on Audit Matters be included in future Audit Plans.

103. ***In conclusion, the Sub-Committee took note of the briefing and endorsed the OIO Annual Audit Plan for the year 2022***

## **X. CONSIDERATION OF AMENDED OIO ACTIVITY REPORT FOR 2021**

104. The Director OIO made a presentation on the amendments made as requested by the members of the Sub-Committee including additional information included on the staff category details, trainings, total cost of tickets in 2021 and the list of offices and Organs without host agreements.

105. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members requested to receive in the next meeting of the Sub-Committee the progress on the other outstanding host country agreement.
- ii. Members also asked why the host country agreement did not exist and what was the main reasons for that.

- iii. Members also recommended that the Sub-Committee on the Host Country Agreement undertake this issue.

106. ***In conclusion, the Sub-Committee took note of the presentation and endorsed the report the Amended OIO Activity Report for the year 2021***

## **Y. CONSIDERATION OF THE REPORT OF THE RESERVE FUND BALANCES**

107. The Director of OIO presented the report indicating that the audit certified the balances as at 31<sup>st</sup> December 2022 and also pointed out the key internal control issues affecting the fund balances. She informed the meeting that the available AU Reserve Fund Balance was US\$44,021,431 which falls short by US\$65,752 on the required minimum balance to cover the required (3) months' operating budget of the Union being US\$44,087,183 for 2022.

108. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members took note of the report and noted the differences between the required and available balances.

109. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. ***The accounting errors must be taken into consideration to avoid recurrence of the errors.***
- ii. ***There must be regular review of these accounts to ensure adherence to FRR as future errors on these accounts would result in repercussions.***

## **Z. CONSIDERATION OF THE REPORT ON OTHER FUNDS BALANCES**

110. The Director of OIO made a presentation on the Internal Audit Report on the Certification of AU Maintenance Fund, Working Capital Fund, Peace Fund and Administration Cost Fund balances, and also highlighted key audit issues affecting the fund balances.

111. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members noted the errors and anomalies on the balances of the funds and wondered whether regular reviews were made on these funds.
- ii. Members also noted the differences between the fund and the bank/cash balances.

- iii. Members also noted that the FRR and various Executive Council decisions were not fully followed in the maintenance of the funds.

112. ***In conclusion, the Sub-Committee took note of the briefing and made the following recommendations:***

- i. ***The accounting errors must be taken into consideration to avoid recurrence of the errors.***
- ii. ***There must be regular review of these accounts to ensure adherence to FRR as future errors on these accounts would result in repercussions.***
- iii. ***The Executive Council decisions made on the creation and maintenance of special funds should be followed in the management of the funds.***

#### **AA. CONSIDERATION OF REQUEST FROM LOCHAN & CO. FOR A NO OBJECTION ON EXTENSION OF TIMELINES BY 30 DAYS AT NO COST TO AU**

113. The Chairperson of the Sub-Committee on Audit Matters informed the Members that following the presentation of the Inception Report on an Independent Forensic and Performance Audit of other AU Organs (ACHPR, AfCHPR, APRM, AU-ABC, AUDA-NEPAD and PAP) and the challenges pointed out in the report, Lochan & Co. sent a letter requesting for a “No Objection” for an extension of the reporting timelines by 30 Days, to 30 July 2022 with no additional cost to AU.

114. Following the presentation, members of the Sub-Committee noted the request and gave their approvals to grant a “No Objection”

115. ***In conclusion, the Sub-Committee took note of the request and made the following recommendations:***

- i. ***The No Objection was granted to the request to Amend the Initial Period of 90 Days by additional 30 days to 30 July 2022 on an Independent Forensic and Performance Audit of other AU Organs (ACHPR, AfCHPR, APRM, AU-ABC, AUDA-NEPAD and PAP)***
- ii. ***The Extension of the reporting timelines should have “No Additional Cost to the AU”***
- iii. ***The OIO should draft a letter for the signature of the Chairperson of the Subcommittee to Lochan & Co.***

#### **BB. CONSIDERATION OF THE PROGRESS REPORT OF THE CHAIRPERSON OF THE AU COMMISSION (AUC) TO THE EXECUTIVE COUNCIL THROUGH THE PERMANENT REPRESENTATIVES’ COMMITTEE (PRC) ON THE**

## IMPLEMENTATION OF RECOMMENDATIONS OF THE PWC FORENSIC AND PERFORMANCE AUDIT ON AUC

116. H.E the Deputy Chairperson made a presentation on the implementation of recommendations of the PWC Forensic and Performance Audit on AUC. She highlighted the processes undertaken on the implementation of the audit recommendations and that the report was in three sections of: Consequent management - on sanctions and measures taken against staff identified by PwC as responsible for irregularities and violations of AU Regulations and Rules; Systemic Issues – on measures undertaken to address systemic issues on internal controls, risk management, policy and legal framework, further work needed and Conclusion; and annexes. She also indicated that the Task Force chaired by herself with the Director General as Alternate Chair handled the follow-up and highlighted the limitations faced in the implementation of the recommendations.

117. She also informed the members that since the last update, additional 6 cases have been resolved; and that out of the 12 cases listed by PwC Forensic Report, 8 have been concluded, 3 cases have been recommended to the Taskforce for consideration and 1 case has been referred to the Disciplinary Board for consideration. She also informed the members of 18 cases not included in the PwC Forensic Report which the AUC followed up of which 6 cases have been concluded with 3 staff dismissed and warning letters issued to the 3 staff. 2 cases have been recommended by the Disciplinary Board to separate the staff members implicated and 9 cases are forwarded to the Disciplinary Board for further consideration, whilst 1 case has been submitted to the Chairperson for approval of the charges.

118. She further informed the members that out of the 173 recommendations relating to Systemic Issues, 57% (98) were fully implemented, 34% (59) of recommendation are in progress, 7% (12) are not implemented and 2% (4) have been overtaken by events. She assured the members that the Commission is confident that it will be able to fully implement those within its control by 30 December 2022.

119. She finally highlighted the measures being undertaken by the AUC on each category of the PWC report despite challenges faced with key ones being delay in review of the SRR and lack of human resources.

120. Following the presentation, members of the Sub-Committee made comments and sought clarification as summarized below: -

- i. Members thanked the DCP for taking time from her busy schedule to come and make presentation on the progress of implementation of the PwC Forensic Audit report.
- ii. Members requested the commission to work closely with the Forensic audit firm appointed to audit other Organs to avoid the challenges faced with PwC report.



- iii. Members raised concerns with the way the report was drafted. They noted a number of inconsistencies relating to number of Cases, number of Charges and number of staff involved.
- iv. Members further observed similarities in Other Cases 2 and 10, as well as 16 and 18 and requested management to properly tidy up the second Progress Report.
- v. Members requested for more details on the various Tables in the Report presented by the DCP so that they can really benefit from the exercise, and also that should work on the status of implementation table as it is not easy to follow.
- vi. Members directed management to ensure that there is recovery for all the 12 cases identified in the PwC Forensic Audit Report and not only the other 18 additional cases in the Report.
- vii. Members requested Management to expedite the process of reviewing the SRR to have the best quality Rules that should be submitted to PRC for review and adoption. The review should not only take into considerations sanctions but should be a comprehensive review of the entire SRR.
- viii. Members directed the commission to carry out a comprehensive audit to cover the staff files that were not covered by PwC since the sample size for the forensic audit covered only 112 files, and to review the period 2019 to 2020 not covered by the PwC on all audit required areas as per Executive Council decision EX.CL/Dec.1107 (XXXVIII).
- ix. Members noted that the 10 years' recovery period given to the staff who owed AU \$82,702 is unacceptable and should be reviewed. They further emphasized that AU should be more firm on issues of misconduct.
- x. Members also directed the Commission to recover all the three Education Allowance Fraud identified in the report. They further described the fraud as outrages and unacceptable especially regarding the fact that in some cases documents of schools that do not exist were submitted.
- xi. They also requested the Commission to ensure that all moneys owed by staff including those who left the organization should be recovered in line with the Executive Council decisions.
- xii. Members were concerned with the length of time taken for the examination of each case describing it as unnecessarily long and should be reviewed accordingly.

- xiii. Members were concerned with the low staffing levels which is affecting the implementation audit recommendations and operations of oversight.
- xiv. Members also stressed the need to adopt a preventive approach rather than a consequence management which could include regular reminder to staff on requirements of SRR and also the profiling of positions and the candidate during recruitment.
- xv. Members were also concerned with some of the sanctions imposed on the Staff members who violated the rules. Sanctions issued in some cases of misconduct do not reflect the gravity of the misconduct. They cited the case where a staff who was involved in a fraudulent activity which was stopped, was only issued with warning letter which is not a reflection of the misconduct committed.
- xvi. Members stressed the need for ethical trainings of staff in order to instill a culture of integrity and honesty within the AUC and other AU Organs for staff to observe rules and regulations and live within their salaries and other conditions of service. They emphasized that this is especially important during the onboarding process and settling down of the new recruits. This should also include the signing of the code of Ethics and Conduct.
- xvii. Members stressed the need to optimize SAP in order to ensure value for money.
- xviii. Members are concerned that the routine practices of misconduct have become the norm within the Commission due to the fact that the same issues keep recurring during deliberations. They cited the case of the unused tickets whereby the Commission keep paying for the cost of unused tickets.
- xix. Members also recommended that the cut-off point to follow up the review of the SRR should be established to avoid having a relaxing and wait for the AUC until when read on their own to submit the document.
- xx. Members further stressed the need to strengthen the internal controls within the Commission by having checks and balances to enforce the internal control system and agreed on strengthening the CDCP, ODG, OLC, HRM, OSS and OIO.
- xxi. Members commended the DCP for the good work in ensuring that the recommendations are implemented and leading the staff for effective implementation of the recommendations as enumerated in the Report.
- xxii.** Members also noted the need to have a comprehensive report at the end of December 2022 which is the deadline and urged all directorates involved such as Finance, PAPS, HR, OLC and the DG'S Office to implement

outstanding recommendations and give their inputs in support of the work of the Task Force. The report could include recommendations or request for change of some policies as appropriate.

121. ***In conclusion, the Sub-Committee took note of the report and made the following recommendations:***

- i. The Commission should work closely with the Forensic audit firm appointed to audit other Organs to avoid the challenges faced with PwC report.***
- ii. The Commission should amend the report as per gaps noted by the members.***
- iii. The Commission should ensure that recoveries are made on all 12 cases identified in the PwC Forensic Audit Report and also the other earlier cases noted as per Executive Council decision EX.CL/Dec.1126(XXXIX).***
- iv. The Commission should expedite the process of reviewing the SRR and ensure that they are adopted in the January/February 2023 summit.***
- v. The Commission should carry out a comprehensive audit to cover the staff files that were not covered by PwC since the sample size for the forensic audit covered only 112 files, and to review the period 2019 to 2020 not covered by the PwC on all audit required areas as per Executive Council decision EX.CL/Dec.1107 (XXXVIII).***
- vi. The Commission should reduce the 10 years' recovery period given to the staff who owed AU \$82,702, and should also recover the moneys on all the three Education Allowance Fraud cases identified in the report.***
- vii. The Commission should explore measures to shorten the length of time taken for the examination of each case in the report.***
- viii. The Commission should develop a strategy on how to speed up recruitments in the new structure and submit it for consideration of relevant PRC Subcommittees.***
- ix. The Commission should put strong sanctions on staff who violate the rules in line with the cases involved to reflect the misconduct committed.***
- x. The Commission should develop ethical, integrity, accountability and responsibility training programs and train staff to instil a culture of integrity and honesty within the AUC and other AU Organs for staff to***

***observe rules and regulations, and also should strengthen the on boarding processes to ensure the integrity of staff recruiting.***

- xi. The Commission should optimize the use of SAP in order to ensure effective reporting and value for money.***
- xii. The Commission should re-enforce the effectiveness of internal control systems by strengthening the key offices and directorates in charge of these controls including CDCP, ODG, OLC, HRM, OSS and OIO in line with Executive Council decision EX.CL/Dec.1126(XXXIX) paragraph 56 (v).***
- xiii. The Commission should ensure full implementation of the outstanding recommendations and submit a full and comprehensive implementation report as at 31 December 2022 which is the deadline in line with Executive Council Decision, EX.CL/Dec.1126(XXXIX) paragraph 56 (iv).***

#### **CC. MEETING WITH AFRICAN UNION PARTNERS' GROUP (AUPG) ON AUDIT RELATED ISSUES**

122. The Chairperson of the Subcommittee on Audit Matters opened the informal meeting with the AU Partner Group in Addis Ababa by thanking the Partners for having taken time to attend the meeting and for their continued support to the African Union. He recognized the presence of the members of the Subcommittee on Audit Matters and the Chairperson of the subcommittees Multilateral Cooperation and the representative of the Chairperson of the Subcommittee on Subcommittee on General Supervision & Coordination on Budgetary, Financial and Administrative Matters.

123. The Chairperson then pointed out the objective of the meeting being to look at the concerns of the Development Partners in relation to auditing, reporting and internal control matters that have direct impact on their contributions to AU and to deliberate on the possible ways and means to resolve the concerns raised by the AU Development Partners.

124. The Chairperson further highlighted the results of the survey carried out by the OIO following Executive Council decision ***EX.CL/Dec.1107(XXXVIII)***, paragraph 65 (b), as presented to the subcommittee and the recommendations of Partners to enhance support.

125. Following the presentation, the AU and AUPG sides made comments and sought clarification as summarized below: -

- i. Both the AU and AUPG stressed the need for such Tripartite meetings so as to address issues of common concerns in order to attain the AU Agenda 2063 goals.***

- ii. The Development Partners emphasised the importance of effective planning and observing Funding Agreements in reporting both timely and quality, and also transparency and accountability as they also have to report to their governments.
- iii. They also raised concerns on the stopping of the technical exchange programs done previously in particular between the EC & AUC that stopped.
- iv. AU Members assured the AUPG Partners that the issue of reporting and other concerns would be followed up as it was part of the oversight role of the PRC through its relevant Subcommittees.
- v. The AUC assured both AU Member States and AUPG that it is taking the issues seriously and will clear all the gaps noted especially in planning and reporting

126. ***In conclusion, the meeting took note of the dialog and made the following conclusions:***

- i. The Trilateral informal meetings would continue to enhance cooperation and efficiency utilisation of Partners' resources.***
- ii. The Development Partners pledged to continue with support as long as AU observed its contractual obligations and redefine its strategy on how to manage donor engagements. Further that clear and structured communication between the AU and the Development Partners in terms of funding requests and the projects to be funded needed to be developed.***
- iii. AU assured the Development Partners of its total commitment to improve on its relationship with the Donors.***
- iv. AUC management committed to address the concerns of Partners in reporting, information sharing and enhancing the staffing level on programmes in departments.***
- v. The meeting requested the AUC to adhere to the contractual commitments based on the MOUs signed with Partners, including submission of progress, financial and audit reports ensuring the quality and time required.***

## **VI. CLOSING REMARKS**

127. The Chairperson of the Subcommittee expressed appreciation to the Members and the Commission for supporting the work of the subcommittee. He noted that the Subcommittee had a lot of work, but managed to finish it all and was ready to submit the report with the draft decision to PRC.

128. The Chairperson acknowledged the work of H.E the Deputy Chairperson as also observed by the members and also noted the commitment of the Director General who was determined to coordinate the work of all directorates as part of his work and hoped that subsequent audits would show the efforts of the leaders by having positive results and reduced audit issues. HE thanked the Subcommittee Experts for effectively facilitating the work of the subcommittee by assisting in reviewing and editing the reports. He also acknowledged the support of H.E Ambassador Amr Aljowaily, the Strategic Advisor to DCP who consistently attended the Subcommittee meetings and assisted in providing information.

129. The Chairperson further appreciated the work of interpreters who worked long hours sometimes without break to enable the Subcommittee finish its work and the AUC Managers in particular the Director of Finance and Director of HRM with their teams who provided reports and inputs to the work of the Subcommittee.

130. The Chairperson further sincerely thanked the OIO Team, led by Dr Regina Muzamai who worked tirelessly to facilitate the work of the subcommittee and joined the members of the Subcommittee in appreciating the commitment and professionalism of the OIO Team.

131. The Chairperson also informed the members that the report of the Joint sitting with the Subcommittee on General Supervision and Coordination on budgetary, Financial and Administrative matters and the F15 Experts would be submitted separately as it was a new policy under the revised Financial Rules and Regulations. The said report would also be presented jointly with the Co-Chair and so need to be separate from the overall work of the Subcommittee.

132. The Chairperson further urged members and all participants to stay safe as the rate of infections from COVID-19 virus had started increasing.

133. He wished the members success in the coming PRC, Executive Council and Mid-Year Coordination Meetings and wished all good holidays starting after the July Meetings.

**DRAFT DECISION ON AUDIT MATTERS  
Doc. EX.CL/1343(XLI)**

**The Executive Council,**

1. **TAKES NOTE** of the Report of the PRC Sub-Committee on Audit Matters and, **ENDORSES** the recommendations contained therein.
2. **COMMENDS** Office of Internal Oversight (OIO) for the extensive work and good performance providing oversight on audit matters across the Union and requests OIO to continue strengthening the institutional immunity of the Organization

**ON THE TERMS OF REFERENCE FOR THE SUBCOMMITTEE ON AUDIT MATTERS**

3. **RECALLS** Executive Council Decision **Ex.Dec.752(XXII)** which approved the terms of reference on the mandate and work of the PRC Sub-Committee on Audit Matters and **COMMENDS** the Subcommittee for assessing its own work using these terms of reference.
4. **ENCOURAGES** the Subcommittee on Audit Matters to review its Terms of Reference in line with the additional mandate given on its work in line with the Revised Financial Rules and Regulations.
5. **ENCOURAGES** the Chairperson of the Subcommittee to communicate with the Respective Regional Deans to replace any members when their seats fall vacant in in line with the requirements of the Terms of Reference of the Subcommittee.
6. **DIRECTS** the Commission to assist the Subcommittee in carrying out its mandate as per its Terms of Reference, Financial Rules and Regulations and Directives given by the Executive Council Decisions. **RECALLS** the Executive Council Decision EX.CL/Dec.1097(XXXVII) paragraph 70, the retreat and request the Commission to organize a retreat for the Members of the Sub Committee in October 2022 to provide the necessary capacity building needs for effective to carry out their mandate.

**ON BRIEFING ON THE FINANCIAL RULES AND REGULATIONS (2022) AND THE STAFF REGULATIONS AND RULES (2010)**

7. **TAKES NOTE** of the presentations and **EXPRESSES** concerns on the delays in finalizing the review of the Staff Regulations and Rules.
8. **FURTHER EXPRESSES CONCERNS** on various articles in the Staff Rules and Regulations which have implementation challenges with high risks to the Union and **CALLS UPON** the AUC to urgently complete the review exercise, as envisaged in Executive Council Decision 1144, of the proposals relating to certain entitlements in the draft revised SRR.

9. **INSTRUCTS** the AUC, AU Organs and Institutions to adhere to the AU Rules and Regulations.
10. **REITERATES** that disciplinary and punitive actions should be taken on staff and other officials with negative audit findings as a result of violating the rules, and those who left the Organization with unsettled liabilities should be pursued to the extent of involving the member states and other similar sister International Organizations where they may have gone so as to recover African Union resources in line with Executive Council decision 1126 para 56 (iii), 58 and 59.
11. **URGES** the Commission to make Quarterly Staff Quota Reports availed to Member States and also make job publications known to them on time.
12. **FURTHER URGES** Member States to pay the assessed contributions on time to ensure adequate funding of the Union's annual budgets as required by the AU Financial Rules and Regulations.

#### **ON THE OFFICE OF INTERNAL OVERSIGHT (OIO) ACTIVITY REPORT FOR THE YEAR 2021**

13. **TAKES NOTE** of the Report and **COMMENDS** the Office of Internal Oversight for producing a comprehensive annual performance report on its operations.
14. **DIRECTS** the Office of Internal Oversight to include all relevant information on the key audit findings on internal control weaknesses noted each year in the utilization of the Union resources.
15. **DIRECTS** the Office of Internal Oversight to technically assist in capacitating AUC departments to perform self-auditing through their own staff under the current structure.

#### **ON GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROLS**

16. **REQUESTS** the PRC Subcommittee on Headquarters and Host Agreements to tackle the outstanding issues regarding audit findings related to nonexistence/expiry of host agreements and VAT issues.
17. **URGES** the AUC to finalize and present the treasury and investment policy to ensure that AU resources are well managed.
18. **NOTES WITH GRAVE CONCERN** various errors and delays in bank reconciliations and **DIRECTS** Directorate of Finance to put in place bank reconciliation policy to ensure proper and timely reconciliations are made, and **FURTHER DIRECTS** the AUC to apply the appropriate disciplinary measures on staff members who fail to carry out bank reconciliations properly.



19. **ALSO NOTE WITH CONCERN** the huge number of unused flight tickets and the amounts incurred by the AUC as a result and **DIRECTS** the AUC to develop a comprehensive policy to address this issue and to report in the next Executive Council in February 2023.
20. **EXPRESSES** concern about the long outstanding advance payments to vendors and weakness in the procurement to pay process and cases of double payments and **FURTHER REQUESTS** the Board of External Auditors to carry out a comprehensive thorough investigative audit on procurement policies across the Union, payment processes, and all outstanding advance payments to vendors.
21. **TAKE NOTES** the recurrent nature of the findings of the non-recovery of salary and travel advance payments to staff as well as imprest and loans, and the questionable of the entire process and the eligibility of staff members to be granted those benefits, and **REQUESTS** the Board of External Auditors to carry out an investigation on the status of all non-recovered amounts and the soundness of the processes for further disciplinary measures as necessary.

#### **ON THE THE MATRIX ON IMPLEMENTATION OF EXECUTIVE COUNCIL DECISIONS ON AUDIT MATTERS**

22. **TAKES NOTE** of the Report and **COMMENDS** the Subcommittee on Audit Matters for following up the implementation of the Executive Council decisions emanating from its work.
23. **EXPRESSES** concern about the delay in the implementation of audit decisions as well as the late responses from AUC and Organs and **DIRECTS** the AUC and Organs to provide a quarterly update on the implementation of Executive Council Decisions related to audit matters and the challenges they face in this regard.
24. **URGES** the AUC and Other AU Organs to implement all Executive Council Decisions on time and in line with the timelines thereof.

#### **THE OFFICE OF INTERNAL OVERSIGHT (OIO) REPORT ON BUDGET PERFORMANCE FOR THE YEAR 2021 FOR AU ORGANS (AfCHPR, AUABC, AfCFTA, AUDA-NEPAD, ECOSOCC, PAP, ACHPR, APRM, CDC & AUC)**

25. **TAKES NOTE** of the Reports and **DIRECTS** All AU Organs to implement fully the recommendations contained in their individual Internal Audit Reports on Budget Performance for the year 2021 and comments from Member States.
26. **EXPRESSES** concerns on the low rate of implementation of programmes in most Organs and **CALLS UPON** all managers to ensure that implementation of programmes is enhanced
27. **RECALLS** Executive Council decision 1143 para 18 (iii) and **DIRECTS** the AUC &

Organs to plan realistically to avoid low implementation rate and reduction of their respective budget ceilings as a result and **REITERATES** that a minimum rate of implementation threshold should be set up and submitted for consideration by the Sub-Committee on General Supervision and Coordination on Budgetary, Financial, and Administrative Matters, so as to prevent departments from making high budget proposals and align budget proposals based on the available capacity and human resources.

28. **REQUESTS** the AUC to harmonize the internal audit reports on budget performance among all AU Organs and include adequately all relevant information when reporting on budget performance.
29. **RECALLS** the Executive Council decisions reference numbers; EX.CL/Dec 815 (XXX); EX.CL/Dec.1031 (XXXIV) paragraph 11; 1057(XXXV) paragraph 39 (b & h); 1069(XXXV) paragraphs 10, 11, 12; EX.CL/Dec.1071(XXXV) paragraph 9; EX.CL/Dec.1073(XXXVI) paragraph 40; EX.CL/Dec.1097(XXXVII) paragraph 18, and EX.CL/Dec.1143(XL) paragraph 18 and **REITERATES** that All departments within AUC and Organs that don't their submit their reports in AMERT as required should not have their budget proposals considered for approval.
30. **RECALLS** paragraph 66(iii) of Decision EX.CL/Dec.1073 (XXXVI) and paragraph 39(b) of X.CL/Dec.1057(XXXV) that directed the release and allocation of budget to be in proportion with the performance in line with the AU Golden Rules on Budgeting and an average budget execution rate of the previous three years as well as implementation rate of audit recommendations,
31. **URGES** the AUC and Organs to ensure that the budget execution reports reflect the impact of the programmes.
32. **FURTHER URGES** the AUC to put an effective strategy to engage Partners with low funding levels as compared to the pledges made so as to avoid budgets with funding gaps in line with Golden Rule number two (2),
33. **RECALLS** EX.CL/Dec.1143(XL) paragraph 18(iv) and **URGES** the AUC to improve the AMERT system and **DIRECTS** All AU Organs to start using the AMERT System for effective planning, monitoring, evaluation and reporting of projects performance and avoid using the manual systems.
34. **FURTHER INSTUCTS** the AU management to tackle issues of reporting comprehensively to address concerns of both Member States and Partners and to submit a report in this regard to the subcommittee by November 2022.
35. **EXPRESSES** great concerns on the challenges of staffing among all AU Organs and Departments and their impact on implementation rates and **DIRECTS** the AUC to develop a comprehensive strategy on how to resolve this problem.
36. **ALSO WELCOMES** the Trilateral informal consultations by Members of the Sub

Committee, AUC and Partners to address audit related matters and **ENCOURAGES** the continued informal engagements with the Partners.

#### **ON THE THE INCEPTION REPORT ON FORENSIC AND PERFORMANCE AUDIT OF OTHER AU ORGANS**

37. **TAKES NOTE** of the Report and **COMMENDS** the Subcommittee on Audit Matters for following up the implementation of the Executive Council decision on Forensic and Performance Audit of Other AU Organs.
38. **EXPRESSES** concerns on the delays in the procurement process and selection of the Firm and **CONGRATULATES** Lochan & Co. for winning the Bid.
39. **EXPRESSES** concerns on the challenges faced by the Audit Firm and **DIRECTS** all concerned AU Organs to cooperate with the Audit Firm, in particular provision of documents.

#### **ON THE THE MATRIX ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS AS AT 31 DECEMBER 2021**

40. **TAKES NOTE** of the Report and **COMMENDS** various manager for the efforts made in the implementation of previous internal audit recommendations.
41. **URGES** the OIO to continue with the periodic follow-up on the implementation of audit recommendations accordingly.
42. **INSTRUCTS** AUC departments & Organs which have low implementation rates of Audit recommendations to implement them without further delay, and to update Members of the Subcommittee on challenges faced in implementation in order to address them on a timely manner.
43. **DIRECTS** that the implementation status report should highlight the significance of the Executive Council decisions on Audit Matters in future updates.
44. **FURTHER DIRECTS** the AUC to consolidate all types of audit recommendation (Internal/ External/ Forensic) in one matrix using the Matrix of Audit decisions as a base.

#### **ON THE OIO CERTIFICATION REPORTS ON RESERVE FUND & OTHER FUNDS (MAINTENANCE, WORKING CAPITAL, PEACE FUND & ADMINISTRATIVE COST FUND)**

45. **TAKES NOTE** of the Reports and **CALLS UPON** AUC to put in place effective systems in the prudent management of Reserve, AU Maintenance Fund, Working Capital Fund, Peace Fund and Administration Cost Fund in line with AU Financial Rules and Regulations, and further **DIRECTS** as follows: -

- i. Regular monthly reviews and reconciliations should be made on the fund accounts to ensure adherence to the Financial Rules and Regulations and also to ensure effective management of the funds.
- ii. The Executive Council decisions made on the creation and maintenance of special funds should be followed in the management of the funds.

**ON THE PROGRESS REPORT OF THE CHAIRPERSON OF THE AU COMMISSION (AUC) TO THE EXECUTIVE COUNCIL THROUGH THE PERMANENT REPRESENTATIVES' COMMITTEE (PRC) ON THE IMPLEMENTATION OF RECOMMENDATIONS OF THE PWC FORENSIC AND PERFORMANCE AUDIT ON AUC**

46. **TAKES NOTE** of the Report and **COMMENDS** AUC Leadership for the comprehensive report submitted on further actions taken in the implementation of the recommendations by PwC Forensic Audit and the measures taken to enhance the work of Internal Accountability Committee (IAC)
47. **INSTRUCTS** the Chairperson of the Commission to enhance the implementation of the audit recommendations contained in the report and explore measures to shorten the length of time taken for the examination of each case in the report within the provisions of the AU Staff Rules and Regulations.
48. **RECALLS** Executive Council decisions EX.CL/Dec.1126(XXXIX) and EX.CL/Dec.1031 (XXXIV), and **DIRECTS** the AUC to ensure that recoveries are made on all cases that had financial losses identified in the PwC Forensic Audit Report and other previous cases in a timely manner.
49. **ALSO DIRECTS** the AUC to reduce the 10 years' recovery period given to the staff who owed the Union an amount of \$82,702.
50. **RECALLS** the Executive Council decision reference EX.CL/Dec.1107 (XXXVIII) paragraph 76 c which requested "to carry out a comprehensive audit to cover the staff files that were not covered by PwC since the sample size for the forensic audit covered only 112 files, and also to review the period 2019 to 2020 not covered by the PwC on all audit required areas," and **TAKES NOTE** of the objectivity affecting the Office of Internal Oversight to review its own staff personnel files and **REQUESTS** the Board of External Auditors to carry out this investigation in line with Article 89 (e) of the Financial Rules and Regulations.
51. **DIRECTS** the AUC to impose strong sanctions on staff who violate the rules in line with the offense involved to reflect the misconduct committed, strengthen the on boarding processes and develop ethical and accountability frameworks and training programs to develop a culture of integrity and honesty within the AUC and other AU Organs.
52. **RECALLS** the Executive Council decisions EX.CL/Dec.1126(XXXIX)(vi), EX.CL/Dec1057 (XXXV) paragraph 32(vii) and EX.CL/Dec.1143(XL)paragraph 18

- (iv) and **INSTRUCTS** the AUC to optimize the use of SAP for effective budgetary control, financial management and reporting in order to ensure value for money.
53. **RECALLS** the Executive Council decision EX.CL/Dec.1126(XXXIX) paragraph 56 (v) and **INSTRUCTS** the AUC to re-enforce the effectiveness of internal control systems by strengthening and prioritizing the recruitment for the key offices and directorates in charge of these controls including CDCP, ODG, OLC, HRM, OSS and OIO.
54. **ALSO RECALLS** the Executive Council decisions EX.CL/Dec 1057 (XXXV) on the Transitional Plan and EX.CL/Dec.1143(XL) paragraph 22 and **DIRECTS** the AUC to develop a strategy on how to speed up recruitments in the new structure and submit it for consideration of relevant PRC Subcommittees by October 2022.
55. **FURTHER RECALLS** the Executive Council decisions EX.CL/Dec EX.CL/Dec.1031(XXXIV) paragraph 26 and EX.CL/Dec.1097(XXXVII) and **DIRECTS** the AUC to expedite the process of reviewing the SRR and ensure that they are adopted in the February 2023 summit. The revision of the SRR should also tackle the issues related to accountability and recovery of misappropriated funds by all Staff categories and Elected Officials.
56. **RECALLS** the Executive Council decision EX.CL/Dec 1107(XXXVIII) paragraph 79 and **DIRECTS** the AUC to work closely with the Forensic audit firm appointed to audit other Organs to avoid the challenges faced with the outcomes of PwC report.
57. Further **RECALLS** the Executive Council Decision, EX.CL/Dec.1126(XXXIX) paragraph 56 (iv) and **DIRECTS** the AUC to ensure full implementation of the outstanding recommendations and submit a full and comprehensive implementation report as at 31 December 2022 which is the deadline.

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2022-06-20

# Report of the Sub-Committee on Audit Matters

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