

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

---

Addis Ababa, Ethiopia

P. O. Box 3243

Telephone: 5517 700

Fax: 5517844

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

---

**EXECUTIVE COUNCIL**

**Forty first Ordinary Session**

**20 June – 15 July 2022**

**Lusaka, Zambia**

**EX.CL/1357(XLI)**

Original: English

**REPORT OF THE JOINT MEETING OF THE PRC SUB-COMMITTEE ON  
AUDIT MATTERS AND THE PRC SUB-COMMITTEE ON GENERAL  
SUPERVISION AND COORDINATION ON THE ADMINISTRATIVE,  
BUDGETARY AND FINANCIAL MATTERS (GSCABFM) ON THE  
AUDITED 2021 FINANCIAL STATEMENTS**

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

---

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)

---

**JOINT MEETING OF THE PRC SUB-COMMITTEES ON AUDIT MATTERS,  
PRC SUB-COMMITTEE ON GENERAL SUPERVISION AND COORDINATION ON THE  
ADMINISTRATIVE, BUDGETARY AND FINANCIAL MATTERS, AND EXPERTS OF  
THE COMMITTEE OF FIFTEEN MINISTERS OF FINANCE (F15)**

**24 JUNE 2022**

**ADDIS ABABA, ETHIOPIA**

**Audit S/Cttee/Rpt**  
Original: English

**REPORT OF THE JOINT MEETING OF THE PRC SUB-COMMITTEES ON AUDIT  
MATTERS, PRC SUB-COMMITTEE ON GENERAL SUPERVISION AND  
COORDINATION (SGSC) ON THE ADMINISTRATIVE, BUDGETARY AND FINANCIAL  
MATTERS, AND EXPERTS OF THE COMMITTEE OF FIFTEEN MINISTERS OF  
FINANCE (F15) ON 2021 AUDITED FINANCIAL STATEMENTS**

<b>ACRONYM</b>	<b>DESCRIPTION</b>
ACERWC	African Committee of Experts on the Rights & Welfare of the Child
ACHPR	African Commission for Human and Peoples Rights
AfCHPR	African Court on Human and Peoples' Rights
AHRM	Administration and Human Resources Management
AMISOM	AU Mission in Somalia
AOC	Audit Operation Committee
APROB	Appointment, Promotion and Recruitment Board
AU	African Union
AUABC	African Union Advisory Board on Anti-Corruption
AUC	African Union Commission
AU-CLB	African Union Continental Logistics Base
AUDA	African Union Development Agency
AU-FRR	African Union Financial Rules and Regulations
AU-IBAR	African Union Inter Africa Bureau for Animal Resources
AULO	African Union Liaison Office
AU-SRR	African Union Staff Regulations and Rules
BDCP	Bureau of Deputy Chairperson of the African Union Commission
BOEA	Board of External Auditors
BOEA	Board of External Auditors
CDC	Centre for Disease Control and Prevention
CP	Chairperson of the African Union Commission
CRP	Computer Reservation Programs
DCP	Deputy Chairperson of the AUC
ECOSOCC	Economic, Social & Cultural Council
EU	European Union
FINANCE	FINANCE Directory
FRR	Financial Rules and Regulations of the African Union
H.E.	His Excellency
H.E.	His/Her Excellency
HQ	Headquarters
HQ	Headquarters
HR	Human Resources
IAPC	Internal Audit Progress Committee
IBAR	Inter-African Bureau for Animal Resource
ICT	Information and Communication Technology
IT	Information Technology
JFA	Joint Financing Agreement

MM	Material Management
NEPAD	New Partnership for Africa's Development
OIA	Office of the Internal Audit
OIO	Office of Internal Oversight
OLC	Office of Legal Counsel
PAP	Pan African Parliament
PAU	Pan African University
PBFA	Programing, Budgeting, Finance and Accounting
PPE	Property, Plant and Equipment
PRC	Permanent Representatives Committee
PSC	Peace and Security Council
PWC	Price Waterhouse Coopers
STC	Specialised Technical Committee
STRC	Scientific, Technical and Research Commission
TOR	Terms of Reference
USD	United States Dollar
VAT	Value Added Tax

**REPORT OF THE JOINT MEETING OF THE SUB-COMMITTEES ON AUDIT MATTERS, SGSC ON THE ADMINISTRATIVE, BUDGETARY AND FINANCIAL MATTERS, AND EXPERTS OF THE COMMITTEE OF FIFTEEN MINISTERS OF FINANCE (F15)**

**HELD ON 24 JUNE 2022**

**I. INTRODUCTION**

1. The Joint Meeting of the PRC Sub-Committee on Audit Matters and Sub-Committee on General Supervision and Coordination on Administrative, Budgetary and Financial Matters, and Experts of the Committee of Fifteen Ministers of Finance (F15) was held (virtually/online meeting) in Addis Ababa, Ethiopia on the 24 June 2024 to consider the 2021 Audited financial Statements for AU Organs (AUC, AUDA-NEPAD, APRM, AU-ABC, AfCHPR, PAP, AfCFTA, ECOSOCC, ACHPR, and ACERWC) in line with **Rules 94** of the Au Financial Rules and Regulations. The meeting started at 10.30hours.

**II. ATTENDANCE**

2. The meeting was co-chaired by 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 Sub-Committee on Audit Matters, as well as H.E. Mrs Amma Adomaa Twum-Amoah the Ambassador of the Ghana and the Chair of the Sub-Committee on General Supervision and Coordination on the Administrative, Budgetary and Financial Matters. The meeting was attended by representatives from the following Member States:

- |                                 |                      |
|---------------------------------|----------------------|
| 1) Algeria                      | 19) Mauritius        |
| 2) Botswana                     | 20) Morocco          |
| 3) Central Africa Republic      | 21) Nigeria          |
| 4) Chad                         | 22) Sahrawi Republic |
| 5) Comoros                      | 23) Senegal          |
| 6) Cote d'Ivoire                | 24) South Africa     |
| 7) Djibouti                     | 25) Tanzania         |
| 8) Democratic Republic of Congo | 26) Togo             |
| 9) Egypt                        | 27) Zambia           |
| 10) Equatorial Guinea           | 28) Zimbabwe         |
| 11) Ethiopia                    | 29) F15 Cameroon     |
| 12) Eritrea                     | 30) F15 Chad         |
| 13) Gabon                       | 31) F15 Egypt        |
| 14) Gambia                      | 32) F15 Ghana        |
| 15) Ghana                       | 33) F15 Morocco      |
| 16) Lesotho                     | 34) F15 South Africa |
| 17) Liberia                     |                      |
| 18) Malawi                      |                      |

### III. OPENING REMARKS

3. The Chairperson of the Sub-Committee on Audit Matters opened the meeting and welcomed the Co-chair and all members, the Chairperson of the Board of External Auditors (BOEA) with his team as well as the Deputy Chairperson and the representatives of the AUC and Other AU Organs to the Joint sitting which is in line with the provisions of the New Financial Rules and Regulations. He informed the meeting that the meeting would be co-chaired by himself and the Chairperson of the Sub-Committee on General Supervision and Coordination on the Administrative, Budgetary and Financial Matters.
4. He recognized the women colleagues for the International Day for women in diplomacy and wished them success. He further stated that the world of diplomacy wouldn't exist without the contribution of many distinguished and committed women.
5. He recognized the presence of the Auditor-General of the Federation Republic of Nigeria, Chairperson of the African Union Board of External Auditors and his team and for the work they are doing, and apologies for the Joint Sitting not being physical as earlier planned due to the raising cases of COVID 19 virus infections.
6. He stated that the BOEA is a cornerstone of internal control functions of the Union and eyes of the Members States in enabling the ideals of the Union to be met with high degrees of transparency, commitment and regard for International Standards of Audit.
7. He also recognized the presence of the F15 Experts and thanked them for their hard work as they had just finished their recent engagement in Morocco with the Commission and Member States and reiterated that their expertise and effort is extremely useful.
8. He further observed that the reports to be discussed were bulk running into hundreds of pages and that the joint sitting had limited time available for understanding and effective deliberations before submitting them to the PRC as the July session of the Executive Council was approaching. The meetings planned earlier had to be postponed and the PRC has already started meeting and one day is not enough to go through the reports.
9. The Co-Chair also appreciated the Chairperson of the Board of External Auditors who travelled from Nigeria to Ethiopia to present the report. She also welcomed the members and agreed with the Co-Chair on the proposal of postponing the full deliberations on the report due to time limitation and bulkiness of the reports and requested the members of the joint sitting to consider the proposal.

10. In this regard, the legal opinion was sought and the representative of the Office of Legal Counsel informed the meeting that the FRR requires finalization of the audit by 31<sup>st</sup> May and consideration of the audited financial statements by the Executive Council along with the budget. She further explained that there is still no legal effect in deferring detailed deliberations on the audit issues noted as long as the BOEA present the report as required.
11. H. E. the Deputy Chairperson indicated that they appreciate and cherish the work of the BOEA as the checks and balances add a lot of value to the Union. She continued to state that the work of the BOEA improves on financial management and reporting which is a critical element of transparency and promotes good Corporate Governance. She assured the BOEA of her office's commitment as the Chief Controlling Officer on the implementation of the audit recommendations.
12. Members also appreciated the work of the BOEA and agreed with the proposal to postpone detailed deliberations since the reports to consider and understand were too many and bulky needing sufficient time to scrutinize. Members also recognized the women colleagues for the International Day for women in Diplomacy.
13. The Consensus was reached to postpone the detailed deliberation and consideration of the issues raised in the report whilst allowing the BOEA to present the reports as per requirement of the FRR.

#### **IV. ADOPTION OF AGENDA**

14. Based on the need for more time to review and consider the reports with full deliberations, the agenda was adopted to allow the presentation of the reports in full and have general comments whilst deliberations on detailed individual organs reports would be considered after the Lusaka July meetings. The agenda was therefore adopted as shown below:
  - i. Opening Remarks;
  - ii. Adoption of Agenda;
  - iii. Consideration of the 2021 Audited Financial Statements by the Board of External Auditors (BOEA);
    - Presentation by the BOEA
  - iv. Any Other Business.

## **V. CONSIDERATION OF THE 2021 AUDITED FINANCIAL STATEMENTS BY THE BOARD OF EXTERNAL AUDITORS (BOEA)**

### **(a) Presentation by the Chairperson of the BOEA**

15. The Chairperson of the Sub-Committee called upon Mr. Aghughu Adolphus the Auditor-General for the Federation Republic of Nigeria and Chairperson of the African Union Board of External Auditors (BOEA) to make his presentation.
16. The Chairperson of the BOEA started by expressing his gratitude to the Almighty God for preserving our lives till this material time and for the success recorded in the 2021 audit cycle. He appreciated the highly esteemed Members of the Permanent Representative Committee, for the honor extended to him and the Team to make the presentation on behalf of Members of the African Union Board of External Auditors physically in Addis Ababa, Ethiopia. He then made a summarized presentation on the background, Context for the 2021 Financial Year Audit, Terms of Reference as reflected in the FRR, Audit Scope and Methodology including organs and offices audited, Audit program for fiscal year 2021, Objectives of the audit, Audit Timeline, Responsibilities of the Auditors and Responsibilities of Management, Compliance with International Standards on Auditing (ISA), Key Audit Findings, Rules of Procedure of the Board of External Auditors and Uniform Audit Manual and Secretariat of the Board of External Auditors as follows: -
  - 16.1. On the background, the Chair of the BOEA informed the members that he was unanimously elected as the Chairperson of BOEA on 23rd February 2021 at the virtual meeting of the Board held between 23rd and 24th February 2021 with the first tasking of chairing the audit for 2020 financial statements and ensured that the audit exercise was concluded in good time for the presentation of the reports to the Members of PRC Subcommittee on audit matters on June 8, 2021 in line with the FRR. He further stated that for 2020 audit, eleven (11) Supreme Audit Institutions (SAIs) carried out the Audit of the African Union (AU) for Seven (7) organs. However, the suspension of Guinea as a member state by the AU consequently affected the participation of SAI Guinea in the audit of the financial statements of AU organs for the year ended 31st December, 2021. Despite the decrease in the numbers of participating SAIs, the number of AU Organs increased to ten (10) (AUC, AUDA-NEPAD, APRM, AU-ABC, AfCHPR, PAP, AfCFTA, ECOSOCC, ACHPR, and ACERWC) in 2021 financial year, and additional seven (7) Regional Offices and Other AU Institutions (Africa CDC, AU-STRC in Lagos, IBAR in Nairobi, Brussels Office, AU-CLB in Duala, Geneva Office, and PAU) of the AUC were audited.
  - 16.2. Context for the 2021 Financial Year Audit, the Chair of the BOEA pointed out the requirements of Article 77 of the FRR on the audit function, Executive Council decisions EX.CL. /Dec.1027, (XXXII) and EX.CL. /Dec.916 (XXVIII) on the appointment of the Board (5 on Regional rotation and 6 from Tier 1 of Assessed Contributions). He also indicated that the Board at its meeting of 18th November 2021 held virtually adopted the audit strategy for the 2021 financial year of the African Union and its Organs selected by the AU Board of External Auditors (AU BoEA), taking cognisance of the peculiarity of the COVID-19 pandemic and restrictions placed in



different countries in relation to travels. Thus, Members were allowed to perform the audits physically and remotely while taking its risks assessment. The BOEA started the first phase Audit of 2021 Financial Statements of the African Union Organs from February 14, 2022 to March 4, 2022 and the final phase from April 4 2022 to April 15, 2022. The Board maintained professionalism and ensured proper coordination of the Audits in line with the relevant Auditing Standards. The Board, at its meeting of May 26, 2022 held physically and by videoconference, and in accordance with Article 83 of the Financial Rules and Regulations (2014), approved Audit Reports and Opinion of the audit presented by the Chairperson of the Board of External Auditors.

- 16.3. The Chair of the BOEA also stated that the audit was undertaken in accordance with the audit terms of reference stipulated in Article 79(1) of the African Union Financial Rules and Regulations.
- 16.4. On the Audit Scope and Methodology, he indicated that the audit involved the examination of financial records of the AU for the financial year ended 31st December 2021; a review of the internal controls and the control environment; and an assessment of risks. Samples were taken from transactions in all the critical components of accounts in line with the risk assessments performed and detailed audit procedures conducted to ensure that the transactions were performed in line with the requirements of the Financial Rules and Regulations of the African Union and the International Public Sector Accounting Standard (IPSAS). He further indicated that the Audit Team undertook a review of the status of the implementation of previous audit recommendations so as to assess what was done to strengthen the controls. A risk-based methodology was used in the audit. The risk was assessed at entity, account balance and transaction levels, and samples of transactions drawn for detailed examination based on the risks assessed. He also highlighted the requirements of Article 83 of the AU-FRR (2014) on expressing an audit opinion on the Financial Statements of the Union by the Board of External Auditors. He further indicated that the report to be presented by the Chairperson of the Audit Operations Committee of the BOEA would be in 3 sections of: - Status of Prior Year Audit Recommendations; Summary of main audit findings; and Summary of audit reports (opinions).
- 16.5. On the Audit program for fiscal year 2021, the Chair of the BOEA informed the meeting that the audit program was adopted by the BOEA at its meeting held virtually on 16th to 18th November 2021 and highlighted the allocation of Audit to SAIs among the AUC functions and offices as well as the other AU Organs as shown in the table below.

S/N	SAI	Components/Regional Offices	Staff Allocation
		<b>African Union Commission</b>	
1	Nigeria	<b>Components/Office</b> - Accounting – Finance – Budget and Mobilization and Financial Management <b>Regional Office</b> - Africa Centers for Disease Control and Prevention (Africa CDC), Scientific Technical and Research Commission, Abuja, Nigeria, and Continental Logistics Base, Douala, Cameroon	6
2	Algeria	<b>Components/Office</b> - Office of Internal Oversight, Directorate Strategy Planning Delivery, and Directorate of Partnerships and Resource Mobilization (PMRM) <b>Regional Office</b> - Brussels Office	2

3	Congo	<b>Components/Office</b> - Investment Management	2
4	Libya & SAI Tanzania	<b>Components/Office</b> - Peace and Security, Liaison Offices	2
5	Egypt	<b>Components/Office</b> - IT System Audit	1
6	Morocco	<b>Components/Office</b> - Human Resources, <b>Regional Office</b> - Geneva Office	2
7	Namibia	<b>Components/Office</b> - Procurement, Travels and Missions	2
8	Tanzania	<b>Components/Office</b> - Peace and Security <b>Regional Office</b> - Pan-African Universities	3
	<b>Total</b>		<b>20</b>
		<b>African Union Organs</b>	
1	Algeria	African Union Advisory Board on Corruption (AU ABC)	2
2	South Africa	African Union Courts on Human and People's Right (AfCHPR)	3
3	Egypt	New Partnership for Africa's Development (NEPAD)	4
4	Angola	African Peer Review Mechanism (APRM)	3
5	Morocco	Pan-African Parliament (PAP)	2
6	Nigeria	African Commission on Human and People's Right (ACHPR)	2
7	Nigeria	Africa Continental Free Trade Area (AfCFTA)	3
8	Tanzania	Economic, Social & Cultural Council (ECOSOCC)	2
9	Egypt	African Committee of Experts on the Rights and Welfare of the Child (ACERWC)	2
10	Nigeria(6), Algeria (2), Namibia(2), Tanzania (3), Libya (2), Morocco (2), Egypt (1) and Congo (2)	African Union Commission	20
		<b>Total</b>	<b>43</b>

16.6. The Chairperson of the BOEA stated that the objective of the annual audit is to express an independent opinion on the Financial Statements prepared by AUC in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis and to evaluate the compliance with the African Union Financial Rules and Regulations.

16.7. On the audit timeline, the Chairperson of the BOEA emphasized that the Audit timeline was followed strictly as approved, however, the date for the PRC Subcommittee Joint Meeting was adjusted to 24<sup>th</sup> June 2022. He then outlined the approved plan as shown in the table below.

<b>S/N</b>	<b>Activity</b>	<b>Period</b>
1	Presentation, discussion, and adoption of the draft audit strategy	16-18 November 2021
2	Start of first phase Audit	14 February 2022
3	End of first phase Audit	4 March 2022
4	Submission of the financial statements of Organs and the consolidated financial statements	31 March 2022
5	Start of Final Phase of the Audit	4 April 2022
6	End of Final Phase Audit – Field Work	15 April 2022

7	Submission of audit report and management letter	13 May 2022
8	AOC meeting	23 and 24 May 2022
9	BoEA meeting to consider, approve and sign off reports	26 May 2022

16.8. The Chairperson of the BOEA outlined the responsibilities of the Auditors as required by the International Standards on auditing of financial statements. He also outlined the responsibilities of Management on preparing Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS) Accrual Basis, establishing and maintaining internal controls, providing Auditors with access to information and documents and providing written confirmation concerning representations made to the BOEA in connection with the audit.

16.9. On Compliance with International Standards on Auditing (ISA), the Chairperson of the BOEA highlighted some standards that guided the Audit. He explained that there is a total of thirty-six (36) International Standards on Auditing and one (1) Quality Control Standard. These "Principles Based" Standards provide guidance to Auditors from stating the Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (ISA 200), to the need to Communicate with those Charged with Governance (ISA 260), to Planning an Audit of Financial Statements (ISA 300), setting Materiality in Planning and Performing an Audit (ISA 320), ISA 450, Evaluation of Misstatements Identified During the Audit, and guidance on Forming an Opinion and Reporting on Financial Statements (ISA 700), just to mention a few.

16.10. The chairperson outlined the Key Audit Findings in the following categories: -

**16.10.1. Overstatement of Advance Payments to Vendors**

- i. During the audit exercise, the audit set the Materiality at 2% of the Gross Expenditure of the AUC (net of subventions to Organs) amounting to US\$9,751,853.01 (Nine million, seven hundred and fifty-one thousand, eight hundred and fifty-three dollars, one cent).
- ii. The BOEA observed from the review of the financial statements and other financial records, as stated in the Management report, paragraph 5.1.14 audit issue 14, that there was overstatement of advance payments to suppliers by US\$29,438,165.10 (Twenty-nine million, four and thirty-eight thousand, one hundred and sixty-five dollars, ten cents). These transactions had been consummated and the vendors had already rendered the services/made the supplies but were still being held as current assets. The Management reviewed the audit findings and adjusted the financial statements by expensing the sum of US\$27,459,356.71 (Twenty-seven million, four hundred and fifty-nine thousand three hundred and fifty-six dollars, seventy-one cents), leaving the balance of US\$1,978,808.39 (One million, nine hundred and seventy-eight thousand, eight hundred and eight dollars, thirty-nine cents), as Current Assets.
- iii. Thus, in determining the audit opinion, the audit considered the uncorrected misstatements balance of US\$1,978,808.39 (One million, nine hundred and seventy-eight thousand, eight hundred and eight dollars, thirty-nine cents) against the materiality already set at US\$9,751,853.01 (Nine million, seven hundred and fifty-one thousand, eight hundred and fifty-three dollars, one cent) and noted that the uncorrected misstatement was lower than the materiality set, hence the reason for the unqualified account of the AUC.

### **16.10.2. Non-recognition of benefits in kind/expenditures relating to Africa CDC**

- i. The BOEA observed and communicated same in Paragraph 6.1.6, audit issue 6 that the AUC did not recognize benefits in kind/expenditure relating to Africa CDC implementing partners amounting to US\$78,220,149.00 (Seventy-eight million, two hundred and twenty thousand, one hundred and forty-nine dollars).
- ii. The Auditors met with the AUC management and those charged with governance in line with ISA 260, and requested the Management to provide written representation (ISA 580) on planned action to recognize such expenditure in the financial statements and how the AUC will ensure transparency in the utilization of the resources. The engagement led the Management to disclose the transaction in Note 45.6.1, Technical Assistance provided through independent implementing partners to support Africa Centre for Disease Control and Prevention (Africa CDC), to the AUC financial statements.
- iii. Thus, it is important for Member States to ensure proper action is taken in this regard, while providing necessary support in the design and approval of policies that will help the Africa CDC mobilize resources through Donors/Implementing Partners and ensure transparency and accountability in its utilization. It was also said that this finding was included as part of the Key Audit Matters in the Auditors Report in line with ISA 701.

### **16.10.3. Internal Control Weaknesses**

- i. On review of the Management Report, auditors drew Management's attention to some internal control lapses that will require their action.
- ii. The BOEA recognize that internal control weakness can increase the risk of material misstatement in the financial report, whether due to error or fraud and so pointed out those gaps in the internal control system as indicated in the management letters that would require consideration by the Joint Sitting.

16.11. On the Rules of Procedure of the Board of External Auditors and Uniform Audit Manual, the Chairperson of the BOEA stated that the Board is undertaking a review of the Rules of Procedures of Board of External Auditors and Rules of Procedures of the Audit Operations Committee (AOC) and hope to present it later in the year to the Member States. He requested a speedy consideration and approval of it as part of our efforts to strengthen the audit functions performed by the Board of External Auditors. The was in line with Executive Council Decision, EX.CL/Dec.1057(XXXV) stating that *"The BoEA should develop a standard auditing policy and procedure manual to ensure uniform format and flow of information in the audit reports when auditing AU Organs."*

16.12. On the Secretariat of the Board of External Auditors, the Chairperson of the BOEA highlighted the composition of the Secretariat with only two personnel (one Executive Secretary and his Secretary) who provided support to the Auditors during the audit cycle. He continued to request that Member States continue to support the independence of the Board by ensuring that sufficient budgetary allocations are made for the audit exercise. Also, to ensure the appointment of the Secretary to the Executive Secretary is regularized and not placed as Special Service with a quarterly renewable contract. This will prevent difficulties in the execution of the Board's mandate and its independence would not be jeopardized.

17. The Chairperson of the BOEA commended and appreciated the efforts of the Audit Team Members, Members of the Audit Operations Committee and Board Members for their dedication to duty in bringing his two (2) year tenure as the Chairperson of the AU BOEA to a successful end. He also appreciated the Executive Secretary of and his Secretary, and

the Management of the AUC and Other AU Organs for providing the required logistics and support to the Teams before, during and after the field work.

18. The Chairperson of the BOEA concluded his presentation by reiterating that the tasks of reviewing the reports being submitted is quite an enormous one, especially on the need to ensure that the reports are implemented since it is a duty owed to the African People and we should all play our parts to ensure the African Union is repositioned and strengthened to actualize the dreams of the founding fathers.
19. The Chairperson of the Subcommittee thanked the chair of the BOEA for his presentation and then called upon the chairperson of the Audit Operations Committee (AOC) of the BOEA to give detailed presentation on the issues noted in the audit of the 2021 financial statements of the au Organs.
20. The Chairperson of the AOC, Mr. BENJAMIN ANGBO started his presentation by highlighting the implementation status of previous audit recommendations, key findings and audit opinion in the financial statements of each Organ audited as outlined below.

#### 20.1. **AFRICAN UNION COMMISSION (AUC)**

**20.1.1.** The Chairperson of the Audit Operations Committee presented the AUC report in areas and functions audited as indicated in the paragraphs below.

**20.1.2.** There was low pace of implementation of prior years' audit recommendations which affected the operating efficiency of the AUC. Out of 103 outstanding recommendations at as 31 December 2021, 75 (73%) are still outstanding as of 31 December 2021 of which 35 (34%) are in progress while 40 (39%) were not implemented.

**20.1.3.** Decrease in Member States' Assessed Contributions - Significant decrease in assessed contribution from US\$246.96 million was reported in previous year to US\$203.50 million. This was due to Executive Council Decision 1069 which endorsed the new scale of assessment effective from the year 2020-2022 which required the amount not to exceed US\$250 million to reduce the burden on Member States. The BoEA indicated that the decline in assessed contributions increase dependency on partner funds which accounted to 60% as of 2021 and affected implementation of operational budget.

**20.1.4.** Large number of unreconciled items in Bank Reconciliation Statements - The BoEA indicated that there were 1,765 long outstanding unreconciled items amounting to US\$8.89 million which were not investigated and resolved throughout the year. Some of them occurred in the early part of the year 2021 but were continuously carried forward till the end of the financial year. They further indicated that the above was due to deficiency in supervision of the officers in charge of bank reconciliation and partial automation of the bank reconciliation processes in the SAP system. They further indicated that this deficiency might result in loss of AUC fund due to delay in detection of possible fraud.

**20.1.5.** Long outstanding advance payments to suppliers - The BOEA indicated that there were long outstanding advance payments to suppliers amounting to US\$36,429,450 for a period ranging from 1 to 13 years without service or goods delivery. This was attributed to inadequate AUC follow up to the suppliers to ensure the ordered goods or services are delivered in accordance with the contract terms.

**20.1.6.** Dormant/Unreturned Partners Fund - The BOEA indicated that there were 29 dormant Partners' funds accounts with unreturned balances amounting to US\$4,794,095 as of 31 December 2021. Three (3) out of the 29 dormant Partners funds had been dormant since 2015 and 2016.

**20.1.7.** Large number of AUC bank accounts - AUC maintains about 128 bank accounts as of 31 December 2021 of which 17 are outside Africa continent contrary to the Executive Council Decision No. EX.CL/Dec.1057(XXXV) (9).

**20.1.8.** The BOEA indicated that the above was attributed to deficiency in treasury management and lack of commitment to implement the Executive Council decision. Maintaining large number of bank accounts might result into inefficiency in carrying out bank reconciliation, large bank charges while balance in dormant account might be subjected to fraud through diversion the funds to personal accounts.

**20.1.9.** Overstatement of Advance Payments to Suppliers - The BOEA indicated that contrary to the provisions of IPSAS 1(76), the sum of US\$1,978,808.39 in respect of advance payments made to suppliers for which the value of goods/services have been delivered/rendered to the Commission, was recognized as current assets thus leading to overstatement of the net assets of the Union. The BOEA reported that the AUC Management had indicated that the remaining balance will be cleared as it requires budget for clearance and that regular reconciliations and follow-ups are being undertaken to ensure that service entry-sheet and good receipt notes are issued timeously.

**20.1.10.** Non-recovery of advances from staff - The BOEA indicated that there were un-recovered advances from staff amounting to US\$2.35 million, of which US\$1.73 million (74%) were outstanding for more than a year. This was mainly caused by inadequate follow up and delay deduction from staff salaries. They further reported that the delay in recovery of funds from staff resulted to tying down of AUC's funds which could have been used to finance other operations.

**20.1.11. African Centre for Disease Control and Prevention Africa CDC)**

- i. Non-utilization of Partners contribution despite covid-19 prevalence - The BOEA reported that in 2021 Africa Centre for Disease Control (Africa CDC) has US\$29,005,415 donated by 13 Partners for execution of various health activities across African Continent. The above amount was not spent during the year. Also, there was overall underutilization of budget execution for CDC whereby US\$33,669,196 (31%) were spent out of available balance of US\$107,137,469. The BOEA reported that they were informed that underutilization of the fund was mainly caused by several reasons including delay in approval process; inadequate staff; challenges in the mode of operation of Africa CDC which heavily depend on AUC services (HR, Finance, Procurement) which led to delay in disbursement; and lack of procurement processes suitable for emergency procurement.
- ii. Poor Budget Performance of Africa CDC (31%) - The BOEA reported that the total approved budget, including the carry forward allocation from 2020, amounted to US\$109,512,746, while the available fund was US\$107,137,469. Despite the availability of funds during the year, the budget performance was 31% with a total expenditure of US\$33,669,196. Above was despite the priority given to the fight against the COVID-19 pandemic. This raises concerns on the efficiency and

effectiveness of the Management of AUC in achieving its set goals and the pursuing the objectives of the African Union.

- iii. Non-Recognition of Benefits in Kind/Expenditures Relating to Africa CDC Implementing Partners - The BOEA indicated that the sum of US\$78,220,149.00 was expended by the Implementing Partners to carry out all the agreed upon requests of Africa CDC in the 2021 financial year. They further indicated that the above funds did not pass through the financial system of the AUC and were not recognized in the financial statements. The fund was disclosed in Note 45.6.1 to the Financial Statements, Technical Assistance provided through independent implementing partners to support Africa Centre for Disease Control and Prevention (Africa CDC).

**20.1.12. African Union Scientific Technical and Research Commission (AU-STRC), Abuja, Nigeria**

- i. Poor Budgetary Allocation for AU STRC Core Operations - The BoEA reported that the total revised appropriation budget for AU STRC as at 31st December 2021 was US\$1,168,351.00 while total expenditure amounted to US\$786,051.88, which is 67% budgetary execution. Furthermore, the budgetary allocation relating to staff costs was US\$1,109,293.00, which is 95% of the total budgetary allocation for the year under review. The balance of US\$59,058.00 which is 5% of the budget, was allocated to operating expenses and there was no budgetary allocation for Programmes in the 2021 Financial Year and this impeded the Commission's ability to carry out any of its Core Functions.

**20.1.13. Inter-African Bureau for Animal Resource (IBAR), Nairobi, Kenya**

- i. Poor Budget Execution for Programmes and Projects at IBAR - The sum of US\$17,443,923.69 was approved for the execution of various projects and Programs at the IBAR Office in Nairobi, Kenya during the 2021 fiscal year. However, only the sum of US\$5,382,101.14, representing 31% of the approved budget sum was expended in the execution of Projects during the year.
- ii. Non-Retirement of Imprest and Travel Advances at IBAR - Seven (7) members of Staff were unable to fully retire and account for Imprest advances in the sum of US\$9,965.18 out of the total amounts granted to them within the stipulated time. Also, (5) Staff were unable to fully retire and account for Travel Advances in the sum of US\$3,240.00 granted to them within the stipulated time as require by the provisions of the extant regulations.

**20.1.14. African Union Continental Logistics Base (AU-CLB) Douala, Cameroon**

- i. Lack of Adequate Staffing and Failure to Operationalize CLB Structure - The BOEA reported that there was a total of 10 (Ten) officers and men working at the Continental Logistics Base in Douala Cameroun and these Staff were contributed by Member States and as a result, none of them is on the Payroll of the African Union. They further reported that this was due to the non-operationalization of the structure in line with the Maputo Declaration.

- ii. Non-Installation of fire alarm system, firefighting and fire suppression equipment at the AU CLB Store - The BOEA reported that there was no fire alarm system, firefighting, and fire suppression equipment installed in the warehouses (where items donated by the Chinese Government (estimated at US\$30 million were stored) to cater for the prevention and control of fire outbreak.
- iii. Procurement of a water purification plant without usage at AU CLB - The Turkish Government supported the AU to procure and install a set of bottled Water Purification Plant at the AU CLB in Douala, Cameroon, in 2017, at the sum of US\$222,910 (Two hundred and twenty-two thousand, nine hundred and ten dollars) and the above equipment has not been put to use even at the time of the audit verification in March 2022.

#### **20.1.15. Office of Internal Oversight (OIO)**

- i. No implementation of new Organogram of OIO - The BOEA reported that the new organization chart of OIO was adopted in 2019 with a transition period of 3 years. However, the above has not been implemented as at February 2022. The Management notes that a roadmap will be established for implementation.
- ii. Training Plans - The BOEA reported that the topics retained in the previous annual audit training plans are likely to be insufficient in terms of continuous updating of knowledge and improvement of the competence of the auditors to achieve the objectives of the new restructuring of the OIO, particularly in the areas of performance audit and investigations.

#### **20.1.16. Brussels Office**

- i. Inter-Office Transactions - The examination of the Trail Balance (TB) of the Brussels Office revealed that account number 107603 "inter office- Brussels Office" presented on December 31, 2021 with an abnormal credit balance of US\$56,757.37, account receivables which should be a debit balance. In addition, the Brussels office should not hold a receivable on itself. The above balance is included in the consolidated TB of the AUC, while transactions between the offices and the AUC must be neutralized.

#### **20.1.17. Peace and Security**

- i. Weaknesses in internal controls which might result in overpayment to Troops Contributing Countries (TCC) - There were weaknesses in the internal controls which might result in overpayment to TCC. The above resulted in having deceased troops appearing in Nominal Rolls (NRs) for five to seven months, inconsistent information reported in NRs and death and disability, and six troops not paid in the month of death. This anomaly was mainly attributed to lack of integrated data base from AMISOM HQ to contingents and inadequate review of AMISOM Nominal Rolls.
- ii. Duplication in passport number and date of birth for Uganda FPU - The BOEA reported that during the review of the FPU Nominal Rolls for Uganda we observed duplication in passports numbers and date of birth for two police officers. Similar issue was noted in the audit of 2020 FY where we recommended that the AUC should improve the review of the NRs prior to payments to avoid the possibility of



ineligible payment. The BOEA reported that they are in the view that if the payroll was processed in the system the duplicates could have been detected and resolved.

- iii. Delay in payment of death compensations to the beneficiaries - The BOEA reported that there were 68 and 56 beneficiaries in 2020 and 2021, respectively who were not paid as at the time of the audit. The delayed compensation was US\$6.2 million. This is because tracking of unpaid list of previous years from 2019 and below is difficult since there is no specific account code for death compensation and the list of beneficiaries is not maintained for those years. Furthermore, there was no proper record for tracking the payment status of the death beneficiaries of previous years.
- iv. Deficiency in the provision list for disabilities - The list of provision for disabilities submitted during audit included 82 duplicate service numbers with provision for liability of US\$1,022,000. The same service number are shared by different names which indicates deficiency in the list provided. The BOEA reported that the sorting is ongoing and Management has already identified 21 troops with total amount of US\$261,000 that is to be adjusted.
- v. Delay in capturing transactions in the SAP system - The BOEA reported that there was delay in capturing troop and FPU allowance transactions in the SAP system and this resulted in using exchange rate of the month of posting rather than the month of transactions as required under IPSAS 4 and AUC Accounting Procedures and Policy of 2016.
- vi. Delay in payment of troop and FPU allowances to TCC despite having funds in the account - In January and February 2021 AUC received from EU a total of Euro132,709,048 which could pay all the outstanding FPU and Troop liability for the period of January to June 2021 that amounted to Euro 84,056,549. The above allowances were paid between July and December 2021.

#### **20.1.18. Pan African University**

- i. Delay in recruitment of 11 staff for PAU Institutes while the structure was approved since 2014 - The BOEA reported that there were delays in recruitment of staff at PAU and there were no substantive reasons provided to justify the delay in recruitment. The related posts include that of the Rector and the Vice Rector, the finance officers and the legal officers. The BOEA further reported that as a result of the vacant positions, PAU failed to capture expenditure and revenue amounting to US\$1,235,238.31 and US\$1,697,933.11 respectively in SAP system for PAWES in Algeria due to the absence of the finance officer.
- ii. Loss of funds due to students absconding their studies - The BOEA reported that 43 students absconded their studies and this resulted in a loss of USD 1,115,261. The BOEA reported that PAU has not documented procedures on how to deal with absconded students because every Institute has its own follow up practice and furthermore, the contract between the University and the student does not indicate the penalty to the students on the cost incurred in case they withdraw from studies without justifiable and acceptable reasons to the Institute and Rectorate.
- iii. Inconsistent top up allowances paid to seconded staff - The BOEA reported that they noted significant variation in amount of top up allowances for the same post

from one Institute to another which we consider to be inappropriate as all of them fall under PAU as shown in the table below.

Position	PAULESI (US\$)	PAUGHS S(US\$)	PAUWES (US\$)	PAUSTI (US\$)
Finance Assistance	450			850
Finance Officer		590	800	
ICT Officer	400	490	400	550
Deputy Director/Registrar	800	990	900	900
Programme Coordinator	400	590	500	600
Drivers	200	270	300	375

- iv. Delayed Operationalisation of the PAU Institute for Space Sciences (PAUSS) in South Africa - The BOEA reported that the AUC Medium-Term Plan of 2018 – 2023 requires the Institute to be operationalized by 2018. However, up to the time of the audit in April 2022, the Institute was yet to be operationalized. The BOEA further reported that they were informed that this was caused by delay in signing the MOU between AU and Host Government as the issue of tax exemption to host staff is under discussion. As a result of this the budget allocated to the Institute for three years of US\$1,925,730.00 which could have been allocated to other AUC activities were not spent.
- v. Payment of honorarium to seconded staff as part time lecturers – BOEA noted that despite being paid top up allowances for coordinating various programmes, the seconded staff are also paid honorarium of US\$70 to US\$80 per hour for teaching as part time lecturers, thesis examination and supervision. Also noted was a total of US\$108,367 paid to the seconded staff as honorarium for the year 2021. The BOEA considered that the involvement of programme coordinator in teaching as a part time lecturer, being part of selection committee for part-time lecturers, and coordinating the part-time lecturers in teaching students might result in a conflict of interest, double payment and compromise the primary objectives of administration.

#### **20.1.19. Procurement and Official Missions in AUC**

- i. Annual Procurement Planning and Evaluation - The BOEA reported that some business units had poor budget execution with regards to their annual procurement plans and this was observed to be the trend since the prior financial year. In this regard, the Commission executed only 23% of the contracts amounting to US\$14,148,286 which implies that the procurement strategy is very ambitious from Business Units and unrealistic. Furthermore, out of 423 consolidated planned procurement activities for 2021 only 110 activities were initiated by procurement unit or business Units.
- ii. List of Outstanding Purchase Orders - The BOEA reported that they observed the open Purchase Orders for 2021 (as at Friday 18th Feb 2022) stood at US\$10,778,304. From the sample selected it was noted that delivery of goods and service for some Purchase Orders was done but the clearance of the balances were still parked in the system.

- iii. Non-Provision of invoices by Africa CDC – The audit observed from the review of procurement records that advance payment was made to UNICEF and UNWFP amounting to US\$24,128,925.00 and US\$4,603,350.83 dated back to 04/12/2020 for the provision of Covid-19 items. However, the Africa CDC did not provide auditors with invoice totaling US\$13,693,781.00 from UNICEF. It was also observed from the inspection of PPE Items at the UNICEF Warehouse that gowns (AWL –CPH37701217) valued at US\$1,854,492.00 was expiring on 30 April 2022.

#### **20.1.20. Investment Management**

- i. Lack of investment management procedures manual - The AUC General Directorate does not have an investment management procedures manual. In this regard the processing of all operations, from pre-selection, selection, negotiation and investment decision-making, is done without reference to a procedures manual. The BOEA pointed out that this practice is a source of anomalies; for example: on 08/12/2021, the General Directorate of Finance of the AUC had invested a capital of 58,656,984.83 in ECOBANK without interest.
- ii. Absence of a good investment policy and strategy – Funds investment management bodies do not have a coherent strategy with clear objectives accompanied by measurement indicators. The fund investment management system in place does not contribute effectively to better managing money investments. In this regard there was no monitoring/evaluation mechanism for investment contracts. The Management was requested to strengthen the Investment Management system with requisite professionals and put in place a transparent and accountable mechanism in the management of the investment of money.

#### **20.1.21. Information Technology System Audit**

- i. Documents posted earlier than Documents dates on SAP - The BOEA reported that the Document date is the date on a physical document, while the posting date is the date when document was posted to the general ledger, the entry date is the date on which the transaction is entered into the SAP system. Therefore, the document date has to come before the posting date. However, it was observed that there were entries with posting dates that were before the document dates. The BOEA pointed out that this means that these transactions were posted in the General Ledger before any document that confirms the transfer of rights and obligations was received.
- ii. Inadequate segregation of duties on SAP - The BOEA pointed out that segregation of duties ensures that critical functions in a process are not concentrated in an individual to avoid conflict of interest. However, it was observed that some users have responsibilities that may lead to the risk of exposing the organisation to erroneous entries and data manipulation.

#### **20.1.22. Human Resource Management**

- i. Non-compliance with the staff regulations governing short-term contracts - Regulation 33.4 stipulates that no short-term contract shall be renewed more than once without separation from the Union for a period of at least 3 months nor does it carry any expectancy of automatic renewal or conversion to any other type of appointment. However, these provisions are not respected in the current short-term contracts with

the AUC. Short-term contracts are renewed automatically in violation of provision 33.4 of the AU staff regulations. As of December 31, 2021, out of the 90 short-term contracts, 70 had been renewed more than 5 times, and some contracts have been renewed since 2004 with 16 Renewals.

- ii. Insufficient control in the operational procedures for granting and reimbursing staff advances and loans - Following up on the observations made in the 2020 report on non-compliance with certain rules of the AU staff regulations governing the granting of staff advances and loans (salary advance, salary in advance, travel advance, and car loans), the BOEA found that the procedures for granting and reimbursing advances and loans are insufficient due to their low level of automation to make it possible to verify compliance with the rules for granting advances and loans and ensuring that the sums granted are reimbursed within the stipulated deadlines.
- iii. Significant unreimbursed sums appearing in the account of other advances - Following the 2020 observation of accumulation of significant sums under other advances, the BOEA noted that for the 2021 financial year no action had been taken, especially to regularize the situation of certain employees who are indebted to the AU for amounts reaching US\$100,000 for several years for a global amount of US\$729,693.62.
- iv. Incorrect recognition of DSA among short term staff salaries - The BOEA noted that DSA expenses (DSA 505001) were charged by mistake among short-term salaries, to debit account 501009 " short-term salary", for an amount of US\$6,566,278.28. These payments are compensation of US\$10 per day per person for community health workers who have been trained and deployed to Member States to support contact tracing and testing. These expenses do not correspond to sums paid to African Union employees bound by short-term contracts and therefore cannot be included in the account 501009 " short-term salary".

#### 20.1.23. Geneva Office

- i. Differences between the AUC GL and the Geneva office GL - The comparison between the GL sent to the AUC by Geneva office and the one sent by Geneva office to BOEA shows some difference as shown in the table below.

GL sent to AUC by Geneva office			GL sent to auditor by Geneva office		
G/L Account	G/L Account Name	Sum of Amount in local currency	G/L Account	G/L Account Name	Amount (in USD)
107600	Inter Office – Geneva Office	-55, 277.37	107600	62, 238.90	6,961.53

#### 20.1.24. Differences between the Trial Balance and General Ledger

- i. The BOEA reported that it was noted that the TB accounts' amounts (in US\$) are different from those appearing in the GL. The differences were calculated based on movements in the General Ledger.

### **20.1.25. Materiality for the Audit of AUC**

- i. Materiality and Basis for Unqualified Opinion - The BOEA pointed out that they set the planning materiality by value for the audit initially at US\$9,544,453.56, which was later revised to US\$9,751,853.01 after the AUC financial statements were adjusted. This was determined by computing 2% of the total expenditures amounting to US\$487,592,650.55, after deduction of the sum of US\$55,023,467.20, "Subventions to Organs". The BOEA also took account of issues which could be material by nature or context.
- ii. The BOEA further informed the meeting that materiality was determined in the context of the errors, misstatements and unsubstantiated balances amounting to US\$1,978,808.39 (Overstatement of Advance Payments to Suppliers – For Services/Goods already rendered/delivered) noted during the audit, which was below the materiality level of US\$9,751,853.01 set for the audit.

**20.1.26.** Emphasis of Matter - The BOEA pointed out that they drew attention to the matter on Property, Plants and Equipment below but their opinion is not modified in respect of this matter. With regard to Property, Plants and Equipment Under Litigation and without relevant documentation, the BOEA drew attention to Note 16.3 (Properties under litigation) to the AUC financial statements which indicates that some properties located in Ikoyi, Lagos, Nigeria, with a total value of US\$24,099,517.00 (Land - US\$23,954,038.00 and Buildings - US\$145,479.00) are under litigation at the reporting date and the properties have been included in the African Union Commission's financial statement as property, plant and equipment

**20.1.27.** The BOEA also drew attention to, Note. 16.4 (Properties not valued) to the AUC Financial Statements, which shows that a total of Six (6) properties have not been valued due to lack of relevant documentation and agreements. The Commission may lose the properties if the concerned Member States do not provide relevant documentation and agreements to enable the AUC value and recognize the assets.

**20.1.28.** In the BOEA opinion, the financial statements present fairly, in all material respects, the financial position of the African Union Commission as reported in its Annual Report and Financial Statements for the Year Ended 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis.

**20.1.29.** The BOEA also gave the Overall conclusion – that; the overall financial position of the AUC as at 31 December 2021 remains sound, that the regular budget was almost fully consumed in 2021 with 93% performance and that the Management needs to continue to strengthen core operations in finance, budget, cash and investment management and human resources

## **20.2. PAN-AFRICAN PARLIAMENT (PAP)**

**20.2.1.** The Chairperson of Audit Operations Committee informed members that, out of 19 previous audit recommendations 3 were implemented, 10 in progress and 6 not yet implemented.

**20.2.2.** Cash transactions carried out without supporting documents - This was marked by the detection of fraudulent operations on the parliament's "petty cash" account. These operations consisted of the payment of non-real expenses, not justified by supporting documents. Following this, the PAP management carried out an internal audit in order to identify the extent and consistency of the fraud operations thus detected.

**20.2.3.** Non-compliance with rules relating to cash management - Petty cash balance exceeded the US\$75,000 threshold authorized by the AU Accounting Policy and Procedure manual for several months. The balance of the petty cash account exceeded by twice the threshold throughout the month of June.

**20.2.4.** Failure to undertake fixed assets physical verification - PAP had not conducted a physical inventory of its fixed assets as stipulated in the AU accounting policies and procedures manual and in the property, plant and equipment AU Policy, to ensure accuracy, completeness and existence of fixed assets as recorded in the assets register.

**20.2.5.** Non-compliance with the threshold for capitalization and recognition of fixed assets - The PAP did not respect the threshold provided for the capitalization and recognition of Property plant and equipment (PPE) as non-current assets. Indeed, the policy governing fixed assets stipulates that only fixed assets with a value greater than US\$3,000 are recognized as non-current assets. However, purchases of IT equipment and communication equipment for an amount of less than US\$3,000 were capitalized among non-current assets. Following this audit, PAP management made the necessary adjustments to the financial statements.

**20.2.6.** Failure to comply with the rules on the receipt of fixed assets as provided for by AU regulations - Contrary to the AU Accounting Policies and Procedures Manual, the laptops procured were received by the IT Administrator instead of the Stores Department. Moreover, the GRN (Goods Received Note) was not systematically produced by the PAP upon receipt of its purchases.

**20.2.7.** Vacant positions not yet filled - Among the 75 posts approved positions of the PAP structure, 22 posts are still vacant, which represents approximately 30% of the approved positions.

**20.2.8.** The Chairperson of Audit Operations Committee informed members that, in their opinion, the separate financial statements present fairly, in all material respects, the financial position of the Pan-African Parliament (PAP) as at 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the African Union Financial Rules and Regulations (AUFRR).

### **20.3. AFRICAN COMMISSION ON PEOPLES' AND HUMAN RIGHTS (ACHPR)**

**20.3.1.** The BOEA observed that, out of the 17 recommendations made as at 31st December 2020, 12 (71%) were implemented, 4 (24%) in progress and 1 (6%) not implemented.

**20.3.2.** Ineffective dispensation of human right pending cases - The auditors noted 215 cases were pending before the Commission and, out of that, 16% was within two years, 32% more than two years and 52% more than five years. An instance is an unresolved communication received by the Commission since 2004.

**20.3.3.** Non-cooperation of Member States on allegations of violations of human rights - It was observed from the 50th and 51st combined activity reports of the African Commission on Human and Peoples' Rights, that from 4 December 2020 to 5 December 2021, twenty-nine (29) Letters of Concern and Urgent Appeals were sent to twenty-two (22) States Parties regarding various allegations of human rights violations. Only three (3) States Parties (consisting 13.64%) responded while no response was received from nineteen (19) states (consisting 86.36%).

**20.3.4.** Delay on the appointment of a substantive Secretary - Since the position became vacant on 1st February, 2020 with the retirement of the post holder, the Deputy Secretary was appointed as the Acting Secretary by the Chairperson of the AUC. The acting tenures have expired as at 31st October 2021, the position is still not filled and the acting still continues without any formal communication.

**20.3.5.** Sub-optimal utilization of European Union grant – The audit observed that US\$629,566.33 was budgeted for 2021 financial year and US\$324,110.61 was spent, representing 51% budget execution.

**20.3.6.** Lack of a follow-up and proper investigation on attempted case of fraud – the audit observed that the Commission spotted a hacker during its emails communications with the MHS International to pay them US\$49,527.68 as a consultant for insurance brokerage. The hacker introduced a fictitious bank account for the payment and it was spotted by the Finance unit. This has not been investigated to understand the root cause.

**20.3.7.** Delay in the implementation of Executive Council decision on staff recruitment by the Commission - Executive Council Dec Ex. CL. Dec/1097 (XXXVII) October 2020 authorizes the Commission to recruitment Arabic and Portuguese Legal Officers and Translators that are critical to actualizing the objective of the Commission. This has not been done as at year end 2021.

**20.3.8.** In BOEA opinion, the financial statements present fairly, in all material respects, the financial position of the African Commission on Peoples' and Human Rights (ACHPR) as reported in its Annual Report and Financial Statements for the Year Ended 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis.

#### 20.4. **AFRICA CONTINENTAL FREE TRADE AREA**

**20.4.1.** As a new organ, AfCFTA did not have previous audit recommendations.

**20.4.2.** Failure to recognize the contribution of the Host Government in AfCFTA's books of accounts - Property donated by the Host Government was not recognised as required by IPSAS and the AU Property, Plant and Equipment (PPE) Policy resulting in understatement of PPE of AfCFTA.

**20.4.3.** Non-compliance with the Host Country Agreement on the provision of office accommodation - Contrary to Article 5(1) of the Host Country Agreement, the Secretariat was allocated only four (4) floors of a fifteen (15) floors high rise building for office accommodation, in no distance time with the phase 2 recruitment process which had commenced for additional staff, the current office accommodation will be grossly inadequate.

**20.4.4.** In the BOEA opinion, the financial statements present fairly, in all material respects, the financial position of the African Continental Free Trade Area (AfCFTA) as reported in its Annual Report and Financial Statements for the Year Ended 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis.

**20.5. AFRICAN COMMITTEE OF EXPERTS ON THE RIGHTS AND WELFARE OF THE CHILD (ACERWC)**

**20.5.1.** This is a new Organ and, this is the first time they are being audited as a separate entity.

**20.5.2.** The ACERWC secretariat staff salaries for the year 2021 were paid from the African Union Commission and do not form part of the expenses listed in the statement of financial performance, the salaries budget was mapped to the headquarter profit centre.

Other Matters

**20.5.3.** The committee is still not fully independent from the management of the African Union and manifestations of this are: lack of full control of the Committee over the SAP system, expenses which have been handled and settled by the African Union such as some of staff costs and short-term staff salaries not captured in their Financial Statements, the organizational structure of the committee is still incomplete and due to limited employees, the directors of the committee were considered responsible for governance.

**20.5.4.** In the BOEA opinion, the financial statements present fairly, in all material respects, the financial position of the African Committee of Experts on the Rights and Welfare of the Child (ACERWC) as reported in its Annual Report and Financial Statements for the Year Ended 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis.

**20.6. AFRICAN UNION DEVELOPMENT AGENCY (AUDA)**

**20.6.1.** On African Union Development Agency (AUDA-NEPAD) out of 27 outstanding recommendations at as 31 December 2021, 13 (48%) are still outstanding as of 31 December 2021 and 12 (44.5%) are in progress while 2 (7.5%) were not implemented.

**20.6.2.** Daily subsistence Allowance - NEPAD disbursed by mistake, about US\$132,000 as a DSA to employees (US\$82,000 in 2021 – US\$50,000 in 2019) for work assignments that took place within the same city (Johannesburg).

**20.6.3.** Cash and cash equivalent - The External Auditors did not get quick and direct confirmations from NEPAD banks, which led to submitting 4 different confirmations for the year-end balance.

**20.6.4.** AUDA – NEPAD Legal Name - NEPAD still uses its old name in some bank accounts and in some new contracts with development partners and auditors did not been received the documents that clarify the legal procedures for changing the name.



**20.6.5.** VAT - The VAT receivable balance on December 31, 2021 amounted to about US\$475,000, and have a provision about US\$192,000. In addition, the balances over a year or more amounted to about US\$417,000.

**20.6.6.** Partner Fund and Deferred Income - There is a difference between the balance of the projects bank accounts and the balance of deferred income of about US\$1.5 million. NEPAD did not provide a detailed, clear reconciliation with supporting documents explaining the reasons for this difference for following-up, controlling and confirmation of the correctness of the balance.

**20.6.7.** Imprest Accounting system (Petty cash) - NEPAD did not comply with the rules and regulations of the African Union on the settlement of advances granted (Imprest) to staff members.

**20.6.8.** Financial Records and SAP Closure date - NEPAD did not comply with the rules of the African Union regarding the opening, registration, deportation and closing of accounting periods in the SAP system. In addition, the SAP system of NEPAD was not linked to the African Union. Moreover, the offices of NEPAD in other countries were not registered, and its assets, inventory are not recorded on the SAP system.

**20.6.9.** The BOEA gave unqualified opinion. In their opinion, the financial statements present fairly, in all material respects, the financial position of the African Development Agency (AUDA).

## 20.7. **ECONOMIC, SOCIAL & CULTURAL COUNCIL (ECOSOCC)**

**20.7.1.** As a new organ, ECOSOCC did not have previous audit recommendations.

**20.7.2.** Unjustified extra Cost to Renovate Kabulonga Building where ECOSOCC spent US\$236,448 during the year under review to renovate an office that was granted on temporary basis by the Government of Zambia. The renovation cost amounted to approximately US\$2 million and based on the Aide Memoire signed between the Government of Zambia and AU Technical Evaluation Team, the Government of Zambia had committed to undertake this renovation. In addition, ECOSOCC had not been given access to building when it was spending the amount.

**20.7.3.** Infringement of Travel Policy on Payment of DSA for various Mission - ECOSOCC management had spent approximately US\$460,000 to conduct missions in various location contrary to guidance provided by the AU Administrative Policy on Travel Mission, 2019, the AU Financial Rules and Regulations, 2014 and UN DSA guidelines issued by ICSC. One mission out of 11 meetings conducted out outside Lusaka, involved a meeting in Chisamba, Zambia where 27 participants attended out of which 10 came from ECOSOCC Secretariat.

**20.7.4.** Unjustified Payments of USD 65,191 resulting from using Special DSA Rates - ECOSOCC Secretariat has incurred extra US\$65,191 from using special DSA rates to various participants in ECOSOCC meetings without justification.

**20.7.5.** Slow Pace of Recruitment at ECOSOCC - Review of Human Resource Management noted slow pace in recruiting staff for ECOSOCC despite the fact that the respective Organ has already started functioning with autonomy since 2019. As at the

time of audit, February 2022, ECOSOCC had a total of 14 personnel in service out of 34 that are required in the staff establishment.

**20.7.6.** The Chair of the AOC indicated that in BOEA opinion, the separate financial statements present fairly, in all material respects, the financial position of the African Union Economic, Social and Cultural Council as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the African Union Financial Rules and Regulations (AUFRR).

## **20.8. AFRICAN PEER REVIEW MECHANISM (APRM)**

**20.8.1.** African Peer Review Mechanism (APRM) had 12 previous year's audit recommendation of which 3 (25%) were implemented and 9 (75%) in Progress, with no outstanding audit recommendation.

**20.8.2.** There was underestimation of revenue by USD 189,427, an amount paid to APRM by the Financier GIZ in the year 2021.

**20.8.3.** Abuse of AU Staff Regulation article 4 (a) where it was found that contracts were concluded with some officials that did not fit into any of the classification of the Africa Union officials.

**20.8.4.** Irregularity in contract renewal as it was found that consultants had been performing routine work for more than 6 months against the AU Hiring Manual which stipulates that "The consultancy will be for a period not exceeding 6 months" and that "the consultancy must not focus on routine jobs"

**20.8.5.** The BOEA informed the Members that the opinion given was unqualified audit opinion, while the details of the findings and recommendations of the audit are contained in the management letter with key observations highlighted above for the attention of the Joint Sitting of the Sub-Committees.

## **20.9. AFRICAN COURT ON HUMAN AND PEOPLES' RIGHTS (AfCHPR)**

**20.9.1.** The African Court on Human and Peoples Rights (AfCHPR) had 13 previous year's audit recommendation of which 10 (76%) were implemented and 3 (24%) in Progress.

**20.9.2.** Risk assessment was not performed for 2021 financial year.

**20.9.3.** Foreign suppliers tax affairs (ie VAT) was not confirmed and claimed.

**20.9.4.** Quotations not obtained for procurement of language translation services.

**20.9.5.** One internal requisition was used for two purchase orders, indicating that the procurement was split to avoid tender process.

**20.9.6.** The assets in good condition and still in use were recorded at zero values.

**20.9.7.** Honorarium paid to new and reappointed judges not in line with Niamey Executive Council decision of 2019.

**20.9.8.** Educational allowance application form approved by the applicant.

**20.9.9.** The Chairperson of Audit Operations Committee informed members that, in their opinion, the financial statements present fairly, in all material respects, the financial position of the African Court on Human and Peoples' Rights (AfCHPR) as reported in its Annual Report and Financial Statements for the Year Ended 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis.

## **20.10. AU ADVISORY BOARD ON ANTI-CORRUPTION (AU-ABC)**

**20.10.1.** The African Union Advisory Board on Corruption (AU ABC) had 24 previous year's audit recommendation of which 9 (38%) were implemented, 14 (58%) in Progress and 1 (4%) Not Implemented.

**20.10.2.** In November 2017, the Executive Council adopted the organizational structure for the AU-ABC (Decision EX.CL Dec.996 (XXXII) Rev.1), with the aim of boosting the capacity of the Board. However, this structure has not been put in place.

**20.10.3.** The budget execution rate for AU-ABC was below 50%. Furthermore, AU-ABC budget does not reflect its real needs due to the insufficiency of the estimates of budgetary expenditure.

**20.10.4.** Several advances granted to staff appearing in the financial statements for a total amount of US\$9,020.82 dating from 2013 to 2016 have not been recovered by AU-ABC for various reasons

**20.10.5.** Receivable account 107501 "VAT receivable" increased from US\$116,000 in 2018 to US\$170,000, an increase of US\$54,000 or 47% in three years. This situation is the result of weak follow-up and the failure to file timely and effective claims with the Tanzanian tax authorities for VAT refunds.

**20.10.6.** The BOEA informed the Members that the opinion given was unqualified audit opinion. While the details of the findings and recommendations of the audit are contained in the management letter, the BOEA highlighted the above key observations to the attention of the Joint Sub-Committee.

## **20.11. AFRICAN UNION CONSOLIDATED FINANCIAL STATEMENT**

**20.11.1.** The Chairperson of the AOC informed the Members that the opinion of the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the African Union as at 31st December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS), Accrual Basis, and the requirements of the African Union Financial Rules and Regulations (AUFRR).

**(b) Comments/Deliberations by Members**

21. Following the presentation, members of the Joint Meeting made comments and sought clarification as summarized below:

21.1. Members raised concerns on the bulk of reports on the 2021 audit which needed more time to deliberate on them and proposed to postpone the deliberations.

21.2. Members further proposed that the reports presented by BOEA could be acknowledged and noted for further reading and discussion in October 2022.

21.3. Members wanted clarification if it was okay to send the report to the Executive Council and then after be discussed in detail later by Members.

21.4. Members however noted the serious issues in the reports for some organs and requested the Chairperson of the Commission to take the necessary action to ensure that all recommendations and observations are implemented and report to the PRC before the next summit.

21.5. Members also wanted to know if it was within the AU FRR for the reports to be submitted by PRC to Executive Council in February 2023 and request the OLC to give a legal opinion.

21.6. Members wanted clarification if the Financial Statements which are already signed by BOEA should be published or not, until comprehensive deliberations on the reports is done.

21.7. Members also noted that the findings presented by BOEA will not be altered and therefore the signed Financial Statements by the BOEA should be published.

**(c) Responses**

22. The AUC made responses and clarifications as summarized below: -

22.1. H.E DCP explained that even though the Chairperson as the Accounting Officer is responsible for overall financial management and accountability, the Heads of Other AU Organs should also be directly accountable and ensure implementation of audit recommendations and effective internal controls.

22.2. The OLC responded that as per Rule 101 of the AU FRR, financial audit is finalized by 31 May each year and the Executive Council adopts them during the consideration of the budget.

22.3. The OIO also explained the need to have the signed financial statements adopted and be published in line with the IPSAS.

**(d) Conclusions and Recommendations**

23. Based on the deliberations as well as responses made, the Joint Meeting took note of the report and agreed to consider it further during the second half of the year 2022
24. The Joint Sitting also made the following conclusions/recommendations:
  - 24.1. **The Chairperson of the Commission should take the necessary action to ensure that all audit observations and recommendations of the BOEA are implemented and also enhance the internal control systems in the management of the Union Resources.**
  - 24.2. **The detailed deliberations on the 2021 Audited Financial Statements by the Board of External Auditors and the Management Letter should be done in the Joint Sitting of the Relevant PRC subcommittees in October 2022.**
  - 24.3. **The Chairperson of the Commission should publish the signed audited financial statements in line with the AU Financial Rules and Regulations and the IPSAS Standards.**
  - 24.4. **The Chairperson of the Commission should report to PRC through the relevant Sub-Committees on the status of implementation of BOEA observations and recommendations during the Joint Sitting.**

**VI. ANY OTHER BUSINESS (A.O.B)**

25. There being no any other business, the meeting was adjourned at 15.30

**DRAFT**  
**DECISION ON THE AU AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
**Doc. EX.CL/1357(XLI)**

**The Executive Council,**

1. **TAKES NOTE** of Report of the Joint Sitting of PRC Sub-Committee on Audit Matters and Sub-Committee on General Supervision and Coordination on Administrative, Budgetary and Financial Matters, and Experts of the Committee of Fifteen Ministers of Finance (F15).
2. **DIRECTS** the PRC through its relevant Sub-Committees to consider it further during the second half of the year 2022, and to present its findings to the next session of the Executive Council.
3. **REQUESTS** the AU Commission in the interim to publish the 2021 Audited and Signed Financial Statements of AU Organs including consolidated statements on the AU website in compliance with IPSAS requirements.
4. **DIRECTS** the Chairperson of the commission to take necessary action to ensure that the observations and recommendations made by the Board of External Auditors are implemented and to report to the next session of the Executive Council through the PRC and its relevant sub-Committees.

2022-06-20

# Report of the Joint Meeting of the PRC Sub-Committee on Audit Matters and the PRC Sub-Committee on General Supervision and Coordination on the Administrative, Budgetary and Financial Matters (GSCABFM) on the Audited 2021 Financial Statements

African Union

DCMP

---

<https://archives.au.int/handle/123456789/10424>

*Downloaded from African Union Common Repository*