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**EXECUTIVE COUNCIL**  
**Twenty-First Ordinary Session**  
**9 – 13 July 2012**  
**Addis Ababa, ETHIOPIA**

**EX.CL/720(XXI)i Rev.1**  
**Original: English**

**REPORT OF THE JOINT MEETING OF THE ADVISORY  
SUB-COMMITTEE ON ADMINISTRATIVE AND  
BUDGETARY MATTERS AND SUB-COMMITTEE  
ON PROGRAMMES AND CONFERENCES**

**REPORT OF THE JOINT MEETING OF THE ADVISORY SUB-COMMITTEE ON  
ADMINISTRATIVE AND BUDGETARY MATTERS AND SUB-COMMITTEE  
ON PROGRAMMES AND CONFERENCES**

1. The Joint meeting of the PRC Sub-Committees on Administrative, Budgetary and Financial Matters and Programmes and Conferences was held on 30<sup>th</sup> -31<sup>st</sup> of May and 7<sup>th</sup> June 2012, to consider the 2013 draft budget of the African Union.

**Attendance**

2. The meeting was chaired by the Ambassador of the Republic of Ghana, H.E. Mr. Thomas Kwesi Quartey, Chairperson of the Advisory Sub-Committee on Administrative, Budgetary and Financial Matters and was attended by the following Member States:

- |                   |                     |
|-------------------|---------------------|
| i. Algeria        | xiv. Mauritius      |
| ii. Benin         | xv. Nigeria         |
| iii. Botswana     | xvi. Rwanda         |
| iv. Burundi       | xvii. Senegal       |
| v. Congo          | xviii. Sierra Leone |
| vi. Cote d'ivoire | xix. South Africa   |
| vii. Egypt        | xx. Sudan           |
| viii. Ethiopia    | xxi. Tanzania       |
| ix. Gabon         | xxii. Tunisia       |
| x. Gambia         | xxiii. Uganda       |
| xi. Ghana         | xxiv. Zambia        |
| xii. Kenya        | xxv. Zimbabwe       |
| xiii. Lesotho     |                     |

**Agenda**

3. The following agenda items were adopted:

- a) Opening remarks
- b) Organization of work
- c) Consideration of the 2011 Budget Execution Report of the AUC
- d) Consideration of the report of the Advisory Sub Committee on the Draft African Union Internal Audit Regulations.
- e) Consideration of the 2013 Budget of the AU
- f) Any Other Business

**C) Consideration of the 2011 Budget Execution Report of the AUC****Presentation by the African Union Commission**

4. The Director of Programming Budgeting, Finance and Accounting (PBFA) presented the 2011 Budget Execution as follows:

- (i) The total approved budget of the African Union was United States Dollars (**US\$**) **256,754,447.00** broken down into Operational Budget of **US\$ 112,424,627.00** and Programs **of US\$ 144,329,819** of which **US\$122,602,045** was assessed to member states.
- (ii) In addition, a supplementary budget of **US\$7,060,301.00million** was also approved pushing the total approved budget for 2011 to **US\$263,814,748**.
- (iii) The total Collections stood at **US\$144.20** million broken down in to **Member States -US\$:87,823,790.88** million from Member States and **US\$ 56,378,921.13** million from Partners
- (iv) Funds available for programs during the year was **US\$77.3 million**
- (v) The actual expenditure of the African Union during the year under consideration stood at **US\$165,301,020.00** representing **63%**of the total approved budget. On further analysis, **US\$107,489,999** and **US\$57,811,021** have been spent from the Operational and Program budget at an execution rate of **92%** and **39%** respectively. When the budget execution is measured against funds available from partners the rate would be **75%**.
- (vi) The Executive Council, during its session in January 2011, approved a total budget of US\$221,478,498 for the African Union Commission out of which US\$ 87,194,512.00 and US\$ 134,283,986 were allocated to Operational and Program budget respectively.
- (vii) In addition, a supplementary budget of US\$7,030,301 was approved for the Commission.
- (viii) Out of the total approved budget of **US\$228,508,799** which includes Supplementary, a total expenditure of the AUC for the period of year 2011 stood at **US\$137,945,883** representing **60%**utilization during the year. The lion's share of the expenditure goes to the Operational budget with **US\$82,562,314** whereas the expenditure from the programs was only **US\$55,383,569**. These amounts represent **90%** and **41%** execution rate for the 2011 operational and program budgets respectively. When measured against funds available for programs the rate of programme execution would be 74%.

**Comments by the Member States**

5. During the ensuing discussions, members of the sub-committee made the following observations and comments:

- (i) Commended the Commission for putting much effort to provide the Execution report and the improved execution rate against the collection of funds;
- (ii) Expressed concern on over expenditure of some budget lines;
- (iii) Sought clarification on why only nine departments absorbed above 50 % while the others were struggling between execution rates of 15% and 25% budget execution;
- (iv) Enquired whether sanctions will be applied and in what way for those departments which submitted incomplete or no report at all;
- (v) Wondered why some departments ask for allocation of more funds for Year 2013 while their execution rates for previous years was very low;
- (vi) Sought clarification of the different figures mentioned by the Commission on the rate of execution i.e. execution rate on approved budget, execution on available funding, and technical execution rate.

**Responses by the Commission**

6. In response to the concerns of the member states the Commission responded as follows:

- (i) With regards to the different rates of execution the Director of Strategic Planning, Policy Analysis, Monitoring, Evaluation and Resource Mobilization (SPPMERM) clarified that there are three rates of execution mentioned in the report as follows:
  - Programme execution against approved budget - 41%;
  - Programme execution measured against funds available – 74%;
  - Technical execution rate measured by computing number of results achieved against Planned(Expected) -77%;
  - He also mentioned the challenges that the Commission faced in mobilization of resources from partners as late availability of funds,

non-availability of funding, in some cases, and change of intention by partners to support programs after the budget is approved.

- (ii) The budget cycle had also negatively impacted the period of implementation. This problem, however, has already been resolved with the shift of the budget approval period from February to July;
- (iii) The Director promised that the operationalization of AMERT (African Monitoring, Evaluation and Reporting Tool) would help improve the periodic budget progress report of the Commission;
- (iv) In addition, the low execution rate could also be associated with over ambitious planning of activities without taking into account the capacity to implement them;
- (v) The application of sanctions on non-adherence to reporting is currently being discussed by the Top management.

### **Conclusion**

7. The Sub Committees recommended the Execution report to be considered and adopted by the PRC with the following remarks:

- (i) The Commission to be encouraged to provide an improved analysis;
- (ii) Underscored the fact that even though Partners pledged more funds to finance programme budget of the union the trend showed that in actual fact the resource mobilized from Partners had been lower than Member States;
- (iii) There was a need to give equal attention to planning, monitoring and evaluation.

### ***d) Consideration of Draft AU Internal Audit Regulations***

8. The Sub Committee deliberated on the draft AU Internal Audit Regulations and its draft report for the meetings held on 11 and 23 April 2012 and proposed the following amendments:

- (i) Change of the document title from “AU Internal Audit Charter” to “AU Internal Audit Regulations”;
- (ii) Aligning the numbering on Article 4 for ease of reference;
- (iii) Moving the last paragraph of Article 4 to Article 5;

- (iv) Adding a new paragraph on Article 5 which ensures that Director OIA will have control on OIA's annual budget;
- (v) The need to specify the members of the Internal Audit Progress Committee under Article 10 of the draft AU Internal Audit Regulations.

9. The Sub Committee adopted the report of the Sub Committee on Administrative, Budgetary and Financial Matters on the Draft AU Internal Audit Regulations and referred it to the PRC for consideration as amended. (The Report of the Sub Committee and the Draft AU Internal Audit Regulations as amended are annexed).

10. The Sub Committee also recommended to the PRC to decide on the creation of a PRC Sub-Committee on Audit Matters that would be considering the reports of both the OIA and Board of External Auditors, and any other inspection reports.

**e) *Consideration of the 2013 Budget of the AU***

**Presentation by the Commission**

11. The Director of PBFA presented the draft budget for consideration by the sub-committee and highlighted salient features as follows:

- (i) The draft budget is based on the 2009-2012 strategic plan
- (ii) The 2013 budget is a transitional budget focusing on six programs, namely:
  - Peace and Security
  - Cooperation
  - Development
  - Integration
  - Shared Values and
  - Institutional transformation and Capacity Building
- (iii) The total budget estimate for 2013 is US\$292,310,322 representing a 6.6% growth over the 2012 budget, broken down as follows:
  - Operational Budget US\$121,505,281 (42% of total)
  - Program Budget US\$170,805,052 (58% of total)
- (iv) Assessed contribution for Member States is US\$130,286,317 representing a 6.4% increase over the 2012 budget.
- (v) Partner contributions are US\$162,024,016 representing 55% of total budget.

- (vi) The overall budget growth in Member States contribution exceeds the budget cap of 5% annual growth by 1.4%.

### **Comments by the Sub-Committees**

12. During the ensuing discussion, members of the Sub-Committees made the following observations and comments:

- (i) The absorptive capacity of the AUC was still very low, with most programs showing less than 50% budget execution rate.
- (ii) There was expected reduction in expenditure on rentals following the completion of the new office complex.
- (iii) The need to reduce dependency on donor funds.
- (iv) The need for AUC to review its priorities as 2013 would be a transitional budget.
- (v) The AUC needs to take into account Member States' capacity to pay.
- (vi) In view of time constraints, consideration of the 2013 budget would be dealt with expeditiously.

### **Recommendations**

13. The Sub-Committee advised the Commission to review and re-submit the budget as per the following guidelines:

- (i) That whilst there should be a zero (0%) growth in the program budget for 2013, the increase in the assessed contributions of Member States should be 2% from 2012.

### **Closing**

14. The meeting was adjourned to reconvene on 7th June, 2012.

### **Reconvened Session**

15. The Sub-Committees resumed on 7<sup>th</sup> June 2012 to consider the revised draft Budget of the AU for 2013.

### **Presentation by the Commission**

16. H.E. the Deputy Chairperson of the Commission gave a brief presentation and emphasized on the linkage between the Strategic Plan, the budget and the activities of

the Commission. He was happy about the transparency which had now characterized the preparation and discussion of the budget. He informed the Sub-Committee about the various improvements and reforms such as KAIZEN, SAP Business tools in areas of Financial and Human Resource management, Procurement and Travel services.

17. He further informed the Committee that the above measures have improved the service delivery, preparation, budget execution and Internal Audit of the Commission.

18. With regard to Revenue, the DCP commended the Member States for meeting their obligations towards the AU budget and underscored the need to reduce the proportion of the programme budget currently funded by the partners.

19. He also suggested that this year the budget consideration should be based on program approach in line with the six thematic areas of the Strategic Plan 2009-2012 VIZ: Peace and Security, Development, Integration, Cooperation, Shared Values and Institution and Capacity building. The presentation by the Commission will follow the Log-Frame approach of linking the Strategic Plan with the Annual Work Plans with their respective activities, indicators and results.

20. The Director of PBFA presented to the Sub-Committee an executive summary of the revised proposals. He stated that the total revised budget of the African Union taken full cognizance of the directives mentioned earlier had been reduced from **US\$292.3 million to US\$281 million**. The revised draft budget compared to 2012 approved budget of **US\$274.1million**, shows overall budget growth of US\$6.9million (**2.5 percent growth compared to initial proposal of 6.65%**). It is composed of operational budget of **US\$120.3million** (*initial budget of US\$121.5million and 2012 approved budget of US\$114.8million*), a net reduction of **US\$1.2million** and programs budget of **US\$160.7million** (initial budget **US\$170.8million** and 2012 approved budget of **US\$159.4**), a reduction of **US\$10.1million**. This translates to a ratio of Operational to Program budget of **43% to 57%**.

21. He further said that the main source of funds for the budget was the contributions of Member States and support from International Development Partners. The total revised proposed budget of the African Union for 2013 is expected to be financed as **US\$125.67million** from Member States (**Initial contribution of US\$130.3million and 2012 of US\$122.4million**) and International Development Partners contribution of **US\$155.4million** (Initial contribution of **US\$162million** and **contribution for 2012 approved program budget, US\$151.7million**). The relative ratio of Member States funding to International Development Partners is **45% to 55%** respectively. Out of the total amount of **US\$125.67million** proposed assessed to Member States **US\$5.37 million** (**reduced from US\$8.8million**) represents the budget for selected programmes, whilst the balance of **US\$120.30 million** is for the operational budget of the AU Commission and other Organs of the Union.

22. The Director also mentioned that although the Commission had made efforts to fully comply with the proposed reduction of Program budget, it was unable to reach the

exact cap set for Member States contribution as there was still a marginal shortfall of **0.65 per cent**. The critical challenges posed by the inability of the Commission to achieve the exact 2% threshold were notably:

- (i) The discontinued funding by our International Development Partners of VSAT and SAP (ERP system) licenses in 2013 that amounts to approximately US\$2million that is critical to our continuing operation;
- (ii) The need to provide token funds for the Program budget to match that of International development partners and as a demonstration of commitment to the development effort;
- (iii) Increased security to the Union's facilities as a result of security threat in the sub-region and expansion of coverage due to the new AU building;
- (iv) Annual change in staff grade/ step as well as benefits provided for by condition of service and which cannot be varied downward;
- (v) The increase in the budget of the Office of Internal Audit because of the extension of its mandate to include the audit of the Organs of the Union as per the Assembly Decision: Assembly/AU/dec.208 (XII) Feb 2009.

**23.** The Director then appealed to the representatives of member states in these committees to consider the 2.65 per cent increase in Member States contribution.

**24.** The Director SPPMERM in his presentation mentioned that the Commission had adhered to the guidelines provided by the Sub- Committees during the consideration of budget 2012. While revising the programme budget, the activities were reprioritized to address the financial constraints, and the programme budget had now been kept at a Zero growth from the year 2012.

**25.** He also mentioned that all the funds from partners were secured except the funds from the Republic of China which amounted to US\$20M. Consultation is still underway with a view to securing these funds in readiness for implementation in January 2013.

### **Comments and Observations by the Member States**

**26.** The Sub-Committees commended the Commission for adhering to the guidelines given in the previous meeting.

**27.** On the basis of the foregoing coupled with the fact that the 2013 programme budget composed largely of on-going programmes that have been thoroughly discussed before, the majority of members were of the view that the 2013 budget of the African Union should be adopted without further discussion. However, other Member States

were of the view that the budget should be reviewed in detail and line by line as was the case with 2012 budget.

**28.** The Commission was reminded of the need to adhere to the agreed principles of the budget process such as transparency, inclusiveness and comprehensiveness.

**29.** Member States were called upon to assume responsibility of funding the Organization instead of leaving it to the partners.

**30.** There was also a need to monitor and evaluate the budget performance of the Commission.

**31.** Partners make pledges without honouring them fully. There was, therefore, a need to reverse the ratio of funding between the partners and the Member States so that the Union does not run into serious problems when funds from partners would not be forthcoming.

### **Conclusion**

**32.** Following the discussions the Joint Sub- Committee agreed to recommend two options for the consideration of the 2013 budget by the PRC:

- i) Considers and Recommends the adoption of a total budget of US\$281,028,126 to the African Union broken down into an Operational budget of US\$120,297,402 and Programs of US\$160,730,725 as presented which entails 2.65% increase on Member States Contribution and 0% increase on Programme Budget over 2012. The proposed budget will be financed as US\$125,668,141 from Member States and US\$155,359,986 from International partners. In addition, the Sub Committee endorsed a budget of US\$12.1 million for the Pan African University (PAU) to be established as a special fund and allowed the Human Resources Science and Technology Department to mobilize resources from International Partners.
- ii) Allow the Joint Sub- Committee to undertake a detailed review and analysis of the budget. The implication of this approach is that the 2013 budget will not be ready for approval by July Summit which will also not be in Compliance with the Executive Council decision ( EX.CL/Dec.578(XVII) of changing the budget calendar.

**33.** The Meeting was adjourned at 12:45 p.m.

**EX.CL/720(XXI)i**  
**Annex 1**

**REPORT OF THE ADVISORY SUB-COMMITTEE ON ADMINISTRATIVE,  
BUDGETARY AND FINANCIAL MATTERS ON THE ADOPTION OF  
THE DRAFT AFRICAN UNION INTERNAL  
AUDIT REGULATIONS**

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**MEETING OF THE  
ADVISORY SUB - COMMITTEE ON  
ADMINISTRATIVE, BUDGETARY AND FINANCIAL MATTERS  
11 & 23 APRIL 2012  
Addis Ababa, Ethiopia**

**Adv.S.Cttee/IA/Rpt(I)**

**REPORT OF THE ADVISORY SUB-COMMITTEE ON ADMINISTRATIVE,  
BUDGETARY AND FINANCIAL MATTERS ON THE ADOPTION OF  
THE DRAFT AFRICAN UNION INTERNAL  
AUDIT REGULATIONS**

**REPORT OF THE ADVISORY SUB-COMMITTEE ON ADMINISTRATIVE,  
BUDGETARY AND FINANCIAL MATTERS ON THE ADOPTION OF  
THE DRAFT AFRICAN UNION INTERNAL AUDIT  
REGULATIONS 11 & 23 APRIL 2012**

**I. INTRODUCTION**

1. The meeting of the Advisory Sub-Committee on Administrative, Budgetary and Financial Matters was held in Addis Ababa, Ethiopia on 11 and 23 April 2012 to consider the Draft Internal Audit Charter.

**II. ATTENDANCE**

2. The meeting was chaired by H.E Thomas Kwesi Quartey, the Ambassador of Republic of Ghana, Chairperson of the Advisory Sub-Committee on Administrative, Budgetary and Financial Matters on 11<sup>th</sup> April 2012 and H.E Momodou Sajo Jallow, the Ambassador of Republic of The Gambia, on 23<sup>th</sup> April 2012. The meeting was attended by representatives of the following Member States:

- |   |                  |
|---|------------------|
| 1. Algeria                                | 27. South Africa |
| 2. Angola                                 | 28. Sudan        |
| 3. Benin                                  | 29. Swaziland    |
| 4. Botswana                               | 30. Tanzania     |
| 5. Burkina Faso                           | 31. Togo         |
| 6. Burundi                                | 32. Tunisia      |
| 7. Cameroon                               | 33. Uganda       |
| 8. Chad                                   | 34. Zambia       |
| 9. Cote D'Ivoire                          | 35. Zimbabwe     |
| 10. Democratic Republic of<br>Congo (DRC) |                  |
| 11. Egypt                                 |                  |
| 12. Ethiopia                              |                  |
| 13. Gabon                                 |                  |
| 14. Gambia                                |                  |
| 15. Ghana                                 |                  |
| 16. Lesotho                               |                  |
| 17. Libya                                 |                  |
| 18. Malawi                                |                  |
| 19. Mauritania                            |                  |
| 20. Mauritius                             |                  |
| 21. Mozambique                            |                  |
| 22. Namibia                               |                  |
| 23. Nigeria                               |                  |
| 24. Rwanda                                |                  |
| 25. Senegal                               |                  |
| 26. Sierra Leone                          |                  |

### III. OPENING

3. The Chairperson of the meeting welcomed all members of the Sub-Committee and requested all delegations to work in the spirit of cooperation as they consider the draft Internal Audit Charter presented by the Commission. He then invited the Deputy Chairperson of the Commission to say a few opening remarks.

4. The Deputy Chairperson of the Commission welcomed all the members of the Sub-Committee present in the meeting. He then stated that the draft Internal Audit Charter was an important document that sets the tone for the independence and objectivity of the Internal Audit function. He further stated that the document was an important aspect of the governance process and follows the current global trends in good governance.

### IV. ADOPTION OF AGENDA

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

- (a) Opening Remarks.
- (b) Consideration of the Draft African Union Internal Audit Charter.
- (c) Any Other Business.

### V. PRESENTATION BY THE AU COMMISSION

6. The Director of the Office of Internal Audit (OIA) presented the draft Internal Audit Charter indicating that, since the year 2005, the Board of External Auditors (BEO) had been reporting on the lack of the Internal Audit Charter as well as Audit Committee. She also informed the meeting that The International Standards of Internal Auditing -1000 requires that *"the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter"*. She also stated that the institutional assessments carried out by the Partner Group in 2005, with a follow up in 2009/2010 also raised concerns about the absence of an Internal Audit Charter as this was not in line with good governance and best practices. It was against this background that the OIA had developed this draft Charter which has already been considered internally by the Commission and is now tabled for consideration by the PRC Sub-Committee.

7. The Director further highlighted that the draft Internal Audit Charter has been developed taking into account the mandate of the OIA as outlined in the July 2003 Maputo Decision no. EX/CL/Dec34 (III), the AU Financial Rules & Regulations Article 70, adopted in Banjul, in June 2006 and the extended mandate of the OIA to audit other AU Organs, contained in Addis Ababa, February 2008 EX.CL/Dec.454 (XIV). In addition, the draft charter also requires the OIA staff to adhere to *'Code of Ethics and International Professional Practices'* of the Institute of Internal Auditors (IIA).

8. In her concluding remarks, the Director explained the benefits of an Internal Audit Charter and pointed out the following:

- Maintaining and ensuring independence of the Office of Internal Audit in its operations;
- Promoting good governance in the African Union;
- Aligning the work of Internal Audit to international best practices and standards through an officially approved institutional document;
- Building confidence of all stakeholders including Member States and Development Partners;
- Fulfilling the requirements of external assessment regarding the Office of Internal Audit operations.

#### **IV. DELIBERATIONS**

9. The Sub-Committee agreed to deliberate on the draft document by going through article by article. In this regard, the Sub-Committee made observations, comments and agreed as summarised in the paragraphs below.

##### **Title of the Draft Document**

10. The Member States raised concerns on the title of the document under consideration which was presented as “Draft African Union Internal Audit Charter”. Following the deliberations on some titles suggested as options, the Sub-Committee finally agreed to adopt the title “African Union Internal Audit Regulations”.

##### **Preamble**

11. The Sub-Committee noted that since the name of the document had been agreed to be the Internal Audit Regulations, the format of the document should be aligned to the already existing Financial Rules and Regulations (FRR). Hence the document should start with Article 1 as “General Provisions”, instead of Preamble.

##### **Article 1- Definitions**

12. The Sub-Committee agreed that the definitions should be put in full as in-text definitions. The definitions shall form Article 2 of the revised document (i.e. the African Union Internal Audit Regulations) in line with the FRR.

**Article 2 and 3- Mission, Scope and Purpose**

13. The Sub-Committee agreed that articles 2 and 3 be merged and called 'Mandate'.The new merged article will be Article 3.

#### **Article 4- Responsibilities**

14. The Sub-Committee agreed that the responsibilities should be aligned to the FRR and the additional responsibilities should be included thereafter, so as to distinguish them from those currently in the FRR.

#### **Article 5- Independence and Objectivity**

15. The Sub-Committee agreed that section (i) shall read “The OIA shall perform its functions at all times independently and objectively. In this regard, it shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be a subject matter of audit”.

16. It was also agreed to delete section (ii). Furthermore, on section (iii) the word ‘undue’ to be included before “influence by the organ.” Section (iv) to be section (iii) and keep the first sentence stating “Internal Auditors shall have no direct operational responsibilities or managerial authority over any of the activities they review”.

#### **Article 6 - Authority**

17. The meeting agreed that the wording of section (i) be revised to read ‘scope and timing’ and put the wording ‘including special audits’ after the words “...annual audit plan”. It was also agreed to delete “and prepare a budget to support its activities” and “of the Commission”. . It was also further agreed that section (iii) be deleted.

#### **Article 7 - Accountability**

18. The meeting agreed that wording in section (i) and (ii) reading “...shall be accountable...” to be changed to ‘...shall report...’ and add “and the PRC in section (ii) after the Chairperson” . It was further agreed that section (iii), (iv) and (v) be deleted.

#### **Article 8 - Audit Reporting**

19. The meeting agreed that the definition in brackets under section (i) be removed and included under the article 2 for definitions.

20. It was also agreed that section (iv) ends after the words “...competent authority of the audited organ...” and the rest of the sentence to be deleted.

21. It was agreed that section (vi) to have a comma after “performance indicators” and to delete “...and consultancy services” after investigations.

### **Article 9 - Adherence to Professional Standards**

22. The meeting agreed that the first sentence be modified as follows: 'The AUC in conformity with relevant rules and procedures shall recruit...'

23. Item (D) under article 9 was also amended as follows: 'other relevant guidelines set down by other fraud examination, audit, accountancy and anti-corruption bodies'

### **Article 10 - Establishment of Internal Audit Progress Committee**

24. Following a lengthy debate on this article, it was agreed that the heading of the section be changed, all annexes under Article 10 to be removed and have a section that reads "The Chairperson of the Commission shall establish an Internal Audit Progress Committee to assist him/her in the examination, evaluation and follow-up of implementation of audit recommendations".

25. The meeting agreed that the internal audit progress committee shall exclude member states (PRC), Representative(s) from the Regional Economic Communities (RECS) and members of the Board of External Auditors.

26. It was also agreed that 'There shall be established a PRC Sub-Committee on Audit Matters to consider the reports of both the OIA and Board of External Auditors, and any other inspection reports. This Sub Committee shall guarantee the independence of the OIA'

### **Article 11 - Relationship between OIA and Board of External Auditors**

27. The Sub-Committee agreed that a third item be added to the article namely 'The Board of External Auditors shall avail the copy of its audit reports to the OIA'.

### **Article 12 - Annexes**

28. The Sub-Committee agreed that the title "Annexes" should be changed to read 'Reference Documents'.

### **Article 13 - Amendment**

29. The Sub-Committee agreed to add 'through the PRC' at the end of the sentence.

### **Article 14 – Entry into Force**

30. The Sub-Committee agreed to add 'through the PRC' at the end of the sentence.

**IV. RECOMMENDATION BY THE SUB-COMMITTEE**

**31. In conclusion, the Sub-Committee recommended the following to the PRC:**

- i) To endorse the draft African Union Internal Audit Regulations taking into account all the amendments made during the deliberations.**
- ii) To take a decision on the creation of a PRC Sub-Committee on Audit Matters that will be considering the reports of both the OIA and Board of External Auditors, and any other inspection reports.**

**EX.CL/720(XXI)i**  
**Annex 2**

**DRAFT AFRICAN UNION INTERNAL  
AUDIT REGULATIONS**

**AFRICAN UNION**

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**Adv.S.Cttee/IA/2(I)**

**Original: English**

**DRAFT**  
**AFRICAN UNION**  
**INTERNAL AUDIT REGULATIONS**

## ARTICLE 1 GENERAL PROVISIONS

- i) The African Union's (AU) Office of Internal Audit (OIA) was established vide Executive Council Decision EX/CL/Dec. 34(III) adopted by the Third Ordinary Session of the Executive Council held in Maputo, Mozambique from 4 to 8 July, 2003.
- ii) These Internal Audit Regulations are derived from the AU Financial Rules and Regulations (FRR) adopted by the Ninth Ordinary Session of the Executive Council vide Decision EX.CL/250 (IX) and endorsed by the Seventh Ordinary Session of the Assembly vide Decision Assembly/AU/Dec. 111(VII) held in Banjul, the Gambia from 25 to 29 June 2006, towards the efficient and effective functioning of the OIA.
- iii) The Mandate of the OIA was expanded to audit periodically the accounts of all other AU Organs vide Assembly/AU/Dec.208 (XII) in Addis Ababa, Ethiopia from 1 to 3 February 2009.

## ARTICLE 2 DEFINITIONS

For the purpose of these Internal Audit Regulations:

- (i) **“Assembly”** means the Assembly of Heads of State and Government of the Union;
- (ii) **“Board of External Auditors”** means the Board established under Article 109 of these Rules;
- (iii) **“Chairperson”** unless specified otherwise means the Chairperson of the Commission;
- (iv) **“Commission”** means the Secretariat of the Union;
- (v) **“Director of OIA”** means the Director of Internal Audit;
- (vi) **“Executive Council”** means the Executive Council of Ministers of the Union;
- (vii) **“Financial Rules and Regulations”** means the Financial Rules and Regulations of the Union;
- (viii) **“Head of the Unit”** means the Heads of the relevant organ, department, regional office, representational office, peacekeeping or observer mission;

- (ix) **“Internal Auditor”** means a staff member of the OIA involved in carrying out independent and objective evaluation of the AU activities;
- (x) **“Internal Audit Progress Committee”** means the committee established by the Chairperson of the Commission to follow up the implementation of audit recommendations;
- (xi) **“PRC”** means the Permanent Representatives’ Committee;
- (xii) **“Staff Member of the OIA”** means all internal auditors as well as support staff within OIA;
- (xiii) **“Union”** means the African Union established by the Constitutive Act;

### **ARTICLE 3 MANDATE**

- i) The mandate of OIA shall cover internal audit, special investigation, inspection, monitoring and evaluation of the adequacy and effectiveness of the internal control, financial management, accounting, administrative, data quality, computing and other operational activities of all the African Union Organs.
- ii) The OIA shall provide independent and objective appraisal of the activities of all the African Union Organs in order to add value and improve their administrative and operational efficiency.
- iii) The OIA shall help all the African Union Organs accomplish their strategic objectives by utilizing a systematic and disciplined approach to evaluate and improve the risk management, internal control systems and administrative processes compliant with relevant statutes, directives, guidelines, policies and governance standards.

### **ARTICLE 4 RESPONSIBILITIES**

The OIA shall execute the following responsibilities as per Article 70 of the FRR:

- i) Develop and execute a comprehensive audit programme covering inspection and operational audits at the Union;
- ii) Review the soundness, adequacy and application of systems, procedures and related internal controls, monitor their operation and recommend improvements thereto;
- iii) Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;

- iv) Review the system established to ensure compliance with the Union Staff Rules and Regulations, policies and procedures and determine whether the Union is in compliance;
- v) Review the means of safeguarding assets as appropriate, and verify the existence of such assets;
- vi) Appraise the economy and efficiency with which financial, physical and human resources are employed;
- vii) Review operations or programs to ascertain whether the results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- viii) Prepare coherent and concise quarterly and annual inspection and audit reports containing the position of budget performance and specific recommendations about required improvements for consideration by the Chairperson and the PRC;
- ix) Liaise with the Board of External Auditors and support its meetings and activities;
- x) Investigate the administrative system and procedure with a view to detect systems and procedures that are not functional;
- xi) Perform such other cognate duties as may be assigned to the department by the Chairperson and the PRC.

In view of the best practices, other added responsibilities include:

- xii) Prepare and implement Strategic and Annual Risk-Based Audit Plans and Audit Programs;
- xiii) Monitor and evaluate the effectiveness of the risk management systems of all the African Union Organs;
- xiv) Conduct any investigation as and when deemed necessary from the findings of the OIA's planned audit activities, or when requested by management of the Organs;
- xv) Undertake advisory services designed to mitigate risk, improve operations and/or assist the management of the African Union Organs in achieving their objectives;

## **ARTICLE 5 INDEPENDENCE AND OBJECTIVITY**

- i) The OIA shall perform its functions at all times independently and objectively. In this regard, it shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be a subject matter of audit.
- ii) All internal audit activities shall remain free of undue influence by any AU Organ, elected official or personnel in matters including audit selection, scope, procedures, frequency, timing, or report content.
- iii) Internal Auditors shall have no direct operational responsibility or managerial authority over any of the activities they review.
- iv) The independence of the OIA shall be guaranteed by the PRC Sub Committee on Audit Matters.
- v) The Director of OIA shall be responsible for OIA annual budget. The preparation and implementation of this budget shall not be unduly influenced by OIA auditees.

## **ARTICLE 6 AUTHORITY**

- i) The Director of OIA shall determine areas, scope and timing of audits as contained in the annual audit plan including special audits for the consideration of the Chairperson or the competent authority of the relevant African Union Organs.
- ii) The OIA shall have full, free, and unrestricted access to any and all the African Union Organ records, physical properties, assets, documents and personnel relevant to the subject under review.
- iii) The OIA shall have the authority to invite any staff member including an elected official of any Organ of the African Union to produce documents, provide information and explanation deemed relevant to any activity under review or investigation.

## **ARTICLE 7 ACCOUNTABILITY**

- i) The Director of OIA shall report to the Chairperson in the execution of his or her responsibilities. In the case of an audit conducted in another African Union Organ, the Director shall report to the competent authority of that Organ but shall forward the report to the Chairperson.

- ii) All competent authorities of the African Union Organs shall be accountable to the Executive Council through the Chairperson and the PRC on any audit findings and progress regarding the implementation of any audit recommendation.

## **ARTICLE 8 AUDIT REPORTING**

- i) The Director of OIA shall upon the completion of an audit, prepare a draft report for the review and comments of the Heads of the relevant organ, department, regional office, representational office, peacekeeping or observer mission.
- ii) The Head of the Unit shall provide a written response to the draft report within two (2) weeks of receipt of the draft report.
- iii) The Head of the Unit shall address all issues raised in the draft report and indicate what actions have been taken or will be taken within a defined time limit in response to the specific observations and recommendations contained in the draft report.
- iv) The Director of OIA shall upon receipt of the response of the Head of the Unit, prepare a final report for the review and consideration of the Chairperson or the relevant competent authority of the audited Organ.
- v) The Director of OIA shall also report on any limitations in the scope of the audit and investigative assignments undertaken by the OIA; he or she shall report any instances where responses to the audit findings have not been received by the OIA from audit clients on time and any failure in implementing the audit recommendations.
- vi) The Director of OIA shall report annually to the Chairperson on the performance of OIA against the strategic plan and risk-based audit plan as well as other agreed performance indicators including any investigations undertaken within the financial year.

## **ARTICLE 9 ADHERENCE TO PROFESSIONAL STANDARDS**

The AUC shall in conformity with the relevant rules and procedures recruit professional audit staff with sufficient knowledge, skills and experience to ensure the effective execution of its responsibilities. The OIA staff shall adhere to internationally acceptable professional standards of auditing consistent with the provisions of this Internal Audit Regulations and any other rules and regulations detailed in the Internal Audit Manual. These professional standards include:

- a) The International Standards for the Professional Practice of Internal Auditing (Standards) which have been prepared by the Institute of Internal Auditors (IIA);

- b) The Institute of Internal Auditors' "Code of Ethics";
- c) The Institute of Internal Auditors' "Practice Advisories";
- d) Other relevant guidelines set down by other fraud examination, audit, accountancy, and anti-corruption bodies.

**ARTICLE 10  
ESTABLISHMENT OF AUDIT COMMITTEES**

- i) The Chairperson shall establish an Internal Audit Progress Committee to assist him/her in the examination, evaluation and follow-up of implementation of audit recommendations. This progress committee shall be composed of Elected Officials, Directors and Senior Officers within the Union as nominated by the Chairperson.
- ii) There shall be established a PRC Sub-Committee on Audit Matters to consider the reports of both the OIA and Board of External Auditors, and any other inspection reports.

**ARTICLE 11  
RELATIONSHIP BETWEEN OIA AND THE BOARD OF EXTERNAL AUDITORS**

- i) The OIA shall avail all its audit reports, to the Board of External Auditors.
- ii) The OIA shall provide, upon the request of the Board of External Auditors all necessary assistance in the conduct of its duties.
- iii) The Board of External Auditors shall avail the copy of its audit reports to the OIA.

**ARTICLE 12  
REFERENCE DOCUMENTS**

The Audit Manual, in addition to any other Executive Council and Assembly decisions, Statutes, Treaties, Rules and Regulations and policies relating to audit or financial shall form part of this Regulations .

**ARTICLE 13**

**AMENDMENT**

These Regulations may be amended by the Assembly of the African Union upon the recommendation of the Executive Council through the PRC.

**ARTICLE 14  
ENTRY INTO FORCE**

These Regulations shall come into force upon adoption by the Assembly of the African Union upon the recommendation of the Executive Council through the PRC.

**ADOPTED BY: THE ASSEMBLY  
9 – 16 July 2012  
Addis Ababa, Ethiopia**

2012

# Report of the joint meeting of the advisory sub-committee on administrative and budgetary matters and sub-committee on programmes and conferences

African Union

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