

AFRICAN UNION

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EXECUTIVE COUNCIL
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**REPORT OF MEETING OF THE PRC ADVISORY
SUB-COMMITTEE ON ADMINISTRATIVE, BUDGETARY
AND FINANCIAL MATTERS**

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A. INTRODUCTION

1. The meeting of the PRC Sub-Committee on Administrative, Budgetary and Financial Matters was held on 17th September, 3rd October and 8th October, 2014 to consider the agenda indicated below:

B. ATTENDANCE

- i. Algeria
- ii. Angola
- iii. Benin
- iv. Botswana
- v. Burkina Faso
- vi. Burundi
- vii. Chad
- viii. Comoros
- ix. Congo
- x. Cote d'Ivoire
- xi. Democratic Republic of Congo
- xii. Equatorial Guinea
- xiii. Egypt
- xiv. Ethiopia
- xv. Gabon
- xvi. Gambia
- xvii. Ghana
- xviii. Guinea
- xix. Kenya
- xx. Lesotho
- xxi. Liberia
- xxii. Libya
- xxiii. Malawi
- xxiv. Mali
- xxv. Mauritania
- xxvi. Mozambique
- xxvii. Namibia
- xxviii. Nigeria
- xxix. Rwanda
- xxx. Saharawi Arab Democratic Republic
- xxxi. Senegal
- xxxii. Seychelles

- xxxiii. Sierra Leone
- xxxiv. South Africa
- xxxv. South Sudan
- xxxvi. Sudan
- xxxvii. Swaziland
- xxxviii. Tanzania
- xxxix. Togo
- xl. Tunisia
- xli. Uganda
- xlii. Zambia
- xliii. Zimbabwe

C. AGENDA

2. The agenda submitted by the Commission was amended and adopted as follows:
 - a) Introductory Remarks
 - b) Organization of Work
 - c) Adoption of the Agenda
 - d) Presentation of African Union Financial Status
 - e) Consideration of the Mid-Term Budget Execution Report for 2014
 - f) Consideration of the request for Supplementary Budget 2014
 - g) Presentation and discussion of AU Anti-Fraud and Corruption Policy
 - h) Any Other Business

D. OPENING REMARKS

3. The meeting on 17th September and 8th October 2014 was chaired by H.E. Ambassador of the Republic of Tunisia, whilst H.E. Ambassador of the Republic of The Gambia was requested to chair the meeting held on 3rd October 2014..
4. The Agenda was adopted as presented.

E. PRESENTATION OF AFRICAN UNION FINANCIAL STATUS

5. The Director of PBFA presented the financial status of the Union and highlighted the challenges the Union was facing with regards to cash flow due to non-payment of assessed contribution by some Member States for the year 2014.
 - a) The Director informed the meeting that the Union had only received 41% of the assessed contribution for 2014 as at 17 September 2014. A substantial

contribution from Member States remained outstanding, and as a result, the Union would have challenges in paying salaries for the subsequent three months (October, November and December 2014).

- b) The Union required an average of US\$8.5 million every month for its re-current expenditure. The funds available was US\$ 6 million and a working capital amount of US\$5 million, which was not enough since the Union will require US\$25 million for the rest of the year.
- c) The Director requested the PRC Sub-Committee to bring the matter to the attention of the Member States and also sought the way forward.

Comments by the Member States

- 6. After the presentation of the Financial Status of the Union by the Director, the Sub-Committee made the following remarks:
 - a) Confirmation/Clarification was requested on the US\$5 million Working Capital of the Commission.
 - b) Requested an up-to-date financial status of the Union, to assist their efforts to convince their respective countries on the urgency of the situation.
 - c) Questioned the Commission's budget efforts since the issue of the financial crisis was being raised in September 2014, mentioned that this issue should have been addressed much earlier in the year. The financial forecast mechanism of Directorate of PBFA would need to be enhanced.
 - d) Requested clarification on the collection strategy for the Commission to oblige the Member States to pay their assessed contributions in time.
 - e) There was a concern that the Supplementary Budget being presented would put a further crunch on the Union's cash flow problems.
 - f) Suggested that there should be a rationalization of the budgetary requests. There were very many workshops being held outside the African Union Commission headquarters. These workshops should be held in Addis Ababa to reduce costs.
 - g) The Libyan delegation requested for a review of its assessed contributions since the current economic situation in the country made it impossible to pay according to the current scale of assessment.
 - h) Raised concern over the dependence of the Union on contributions received from the big five contributors.
 - i) The issues concerning the current AU financial status brought to the fore the need to find alternative sources of funding.
 - j) The matter should be brought to the attention of the Sub-Committee on contributions.

Response by the Commission:

- k) The amount of US\$5 million working capital was a special appropriation and that the Union required US\$ 8.5 million every month to meet its recurrent expenditure.

- l) No significant cash inflows had been received from the Member States since the Malabo Summit in June 2014.
- m) The Finance Directorate had adequate mechanism in monitoring the cash flows of the Union and that three reminders had been sent to the Members States who had outstanding contributions after the Summit in June 2014.
- n) Some Supplementary requests were necessary and required the decision of the Policy Organs in order to ensure that all the activities were undertaken.
- o) The Programme activities were largely funded by the Partners, and this involved workshops and meetings outside Addis Ababa. The current cash flow crisis was mainly on the operational activities funded by the Member States
- p) Three of the five highest contributors who account for approximately 65% of the assessed contributions had not yet paid, and it was worrying since the situation had not been experienced in the union. The current sanctions regime to the Members States was not compelling enough, since a member had to be in full arrears for two (2) years to be sanctioned.
- q) It was important for the Sub-Committee on Administrative, Budgetary and Financial Matters to be aware of the current status of contributions from Member states since it will affect any appropriation decision that would be made..
- r) The Commission was planning to organise a meeting of the Sub-Committee on Contributions to discuss the issue.
- s) The issue of alternative sources of funding was still under discussion.

F. CONSIDERATION OF THE 2014 MID-TERM BUDGET EXECUTION REPORT OF THE AU

7. The Director of Programming, Budgeting, Finance and Accounting (PBFA) presented the 2014 Mid-Term Budget Execution Report as follows:

a) Revenue Received – As at the end of 2nd Quarter 2014

8. At the end of the 2nd Quarter 2014, a total sum of US\$51,600,644 had been received from Member States, out of which US\$126,050,898 had been assessed for the 2014 budget of the African Union, representing a collection rate of 41%. Development partners also transferred US\$48,395,319, representing approximately 19% of their pledges. The total cash inflow for the 2nd Quarter of 2014 was therefore US\$99,995,963.

b) African Union 2014 Mid-Term Budget Execution

9. The overall expenditure for the Union stood at US\$92,838,837, representing 23% of the total budget of US\$395,223,187. This rate was 10% lower than the execution rate for the period of 2013. A lower rate of execution was also observed on the absolute figures reported for 2014 when compared to the same period in 2013. The low execution rate for the period was as a result of the Departments' efforts to rationalize

the available resources among various program activities. It was therefore not as a result of poor performance but rather due to efficient resource management.

10. The rate of execution on operating budget stood at 39% while that of the programme was 15% as against the approved budget. However, when execution for programmes was computed against the available funds, the execution rate would be 39%. With this trend, it was expected that the Union would utilize all the funds that would be availed for the budget year 2014 as most of the activities were set to be undertaken in the 2nd half of the year.

c) African Union Commission's Rate of Execution

11. The African Union Commission's 2014 budget was US\$317,234,363 (including Special Projects; Pass Through Funds; and Technical Assistance) out of which US\$98,657,641 was allocated to the Operating Budget and US\$218,576,722 for Programmes. The total expenditure incurred on operating costs was US\$41,963,519 while US\$33,257,311 was spent on the implementation of programmes. The execution rate for the operational budget and programmes was 43% and 15% respectively. The overall rate of execution of the AUC when computed against the approved budget was 24%. The execution rate for 2014 was 10% lower than the execution rate for the same period in 2013.

Comments by the Member States

12. The following remarks were made by members of the Sub-Committee on the mid-term execution report presented by the Director:
 - a) Member States requested the reason(s) for the low budget execution rate as compared to the same period of last year.
 - b) Member States requested the reason(s) for the delay in the disbursement of Partners' funds.
 - c) The Organs needed to be answerable for their actions with a low execution report on various activities.
 - d) There was a low budget execution rate for the African Union as at 30 June, 2014. However, there was a request for Supplementary Budget and that needed to be explained.
 - e) There was a clause in the report which stated that the Report also highlighted the challenges and suggested solutions to address the problems experienced during the implementation. However, there were no solutions in the report.
 - f) Members States requested clarification on whether the report was only for the 2nd Quarter or both 1st and 2nd Quarter of 2014.
 - g) Whether reminders had been sent for the outstanding contributions.

- h) There was a need to review the Sanction regime on the Member States to encourage timely payment of contributions.

Response by the Commission

- a) The main reason for the low execution rate was due to the late receipts of funds from Partners and Member States. This had made some departments to re-prioritize their activities depending on the cash inflows. Funding was a significant challenge to the budget execution.
- b) The performance in the next two (2) quarters would be a good indicator of the overall budget execution for 2014 and would then reflect the overall performance for the year.
- c) The Commission was engaging various partners to release funds for activities of the year-2014.
- d) The Implementation report that articulates the challenges faced and suggested solutions to address the challenges during the period under review was not yet conclusive. The report would be available in the next few weeks.
- e) The first quarter report was sent to the member States covering the initial three (3) months of budget execution. The current report was cumulative and included both the 1st Quarter and the 2nd Quarter of 2014.
- f) Note Verbale had been sent to remind Member States on the outstanding contributions.
- g) The Commission was in favour of a review of the sanction regime on Member States.

Recommendations:

- (i) The Sub Committee took note of the report;**
- (ii) Urged Member states to pay their contribution as soon as possible to relieve the financial constraints the Union faced at this particular time;**
- (iii) Also encouraged the Commission to step up efforts to engage Member States to pay their outstanding contributions in time.**

G. CONSIDERATION OF THE REQUEST FOR SUPPLEMENTARY BUDGET FOR 2014

- 13.** The Director of Programming, Budgeting, Finance and Accounting (PBFA) presented the summary of the proposed Supplementary Budget for 2014.
- a) The total supplementary budget being requested amounted to US\$31,512,683, which was revised downwards from the initial submission of US\$39,698,915 from Departments, Regional Offices and other AU Organs.
- b) Out of the requested supplementary budget of US\$31,512,683, an amount of US\$2,174,548 would be financed by Member States and US\$29,338,135 by Partners.

- c) The funds for Programme activities proposed to be financed by Development Partners had been secured whilst additional resources were required from the Reserve Fund as well as the Acquisition of Properties Fund of the Union to cover the Operating Expenses.
- d) The Peace and Security Department had the largest Supplementary budget request. The budget of US\$26,975,923 was requested, for the following three main categories of projects:
 - i. Establishment of Command, Control, Communication and Information System (C3IS) for African-led peace support operations in readiness for the operationalization of the ASF and to be tested during the AMANI II.
 - ii. Preparations for AMANI Africa II finalized.
 - iii. Support to the African Union-led Regional Cooperation Initiative for the elimination of the LRA (RCI-LRA)

Comments by the Member States

- a. There was no request for supplementary budget for the financing of the deployment of military personnel for the fight against the Ebola epidemic.
- b. Wondered why the Supplementary budget was being requested and yet 59% of the Member States contributions was still outstanding.
- c. There was a need for justification for the supplementary budget requests by the AU Organs.
- d. The Commission should have factored in the inflation rate on some items in the initial budget to avoid the need for supplementary budget Requested the legal basis of the Supplementary budget being presented.
- e. There were no detailed breakdowns of the supplementary budget request. The requests were only summaries from the AU Organs and Departments. There was a need to provide detailed information and analysis on the budget request from the Departments and Organs to enable Member States to make a decision.
- f. There should be a rationalization of items being presented in the operational budget since some of them were not considered to be a priority.

Presentations by Departments and Organs of the AU

a) Medical Services Department

- 14.** The representative of the Medical Services Department presented the summary of the 2014 supplementary budget request for an amount of US\$54,356 for the operational budget.

Comments by the Member States

- i. Questioned the necessity of recruiting 15 staffs for 3 months.
- ii. Queried the discrepancy on salaries. The doctors are indicated in the medical request as earning less than the nurses.
- iii. Queried why the funds were required, since the Outbreak of Ebola and Meningitis had not been reported in Ethiopia
- iv. Given the need to recruit part-time medical personnel to come in times of absences of the regular staff.
- v. Why was there no request for supplementary budget for the financing of the deployment of military personnel for the fight against the Ebola epidemic.
- vi. No detailed information provided as to how many personnel would be recruited and for how long; breakdown of what was entailed in the amount provided.

Response by the Commission

- i. Overall contingency for the entire union was \$100,000 per annum controlled by the Accounting officer.
- ii. There were several unforeseen circumstances that called for extra funds. He referred to the case of two doctors who were away in Uganda for training in the fight against Ebola. Details were available and would be provided.
- iii. Funding for the Ebola would be done through extra budgetary allocations from AU humanitarian response which was not at the level of the regular budget.
- iv. The relief staff were still working and the request was for four months including September 2014.
- v. Staff will be issued with a contract from September to December, 2014. However, September 2014 salaries remain unpaid.
- vi. The salaries listed depended on the night duty for Doctors and Nurses. Nurse had more nights than the Doctors.

15. The budget of \$54,356 was adopted by the Sub-Committee.

b) Department of Trade and Industry

16. The Director of the department made a presentation of the supplementary budget request of US\$ 267,828. She requested the approval from the sub-committee to have the Regional Integration of REC's be funded by the member states due to the benefits resulting of having the Member States owning the RECs so they will not be subject to external forces. The budget of \$267,828 was adopted to fund the regional integration of the RECs.

Comments by Member States

17. The members States emphasized the need to empower the RECs and have them operate independently from any external force as they are the face of the commission out there.

c) AU Office in Washington D.C.

18. The Director of PBFA made a presentation of the supplementary budget request of US\$ 108,866.45 for the Washington Office.
19. The Sub-committee adopted the Washington office program supplementary budget of US\$ 72,466.45 and requested that the budget should only reflect activities up to the end of the current financial year 2014. The amount of US\$ 36,400 meant for the Period January – June 2015 was not considered.

d) Bureau of the Chairperson

20. A representative of the Bureau of the Chairperson presented the summary of the 2014 supplementary programme budget of US\$ 405,023.00. However the Sub-committee rejected the presentation and requested the Bureau to provide details of the budget just as the other departments had done. At the resumption of the meeting in the afternoon, the presentation of the detailed budget for the Bureau was done.
21. The Bureau informed the Sub-Committee that there had been a reduction in the initial budget presented as the Africa-India forum had been postponed to a later date.

Comments by Member states

- i. The members sought clarification on whether the AU-South Korea consultative forums would be convened since meetings in West Africa had been suspended due to the Ebola outbreak. The members sought to have the meeting removed from the budget.
- ii. The members raised concern on the budget for the Africa-Arab summit in Cairo and requested the Cairo office to take the lead in organizing and being the focal point in the meeting.
- iii. The members questioned the rationale of having staff members from the AUC to attend the meeting while the Head of the Cairo office could lead the deliberations.
- iv. They questioned the need to have 12 participants for a one-day meeting.

Response by Commission

- i. The representative explained that they could not cancel an activity which was partly sponsored by a member state as protocol required that the member state must

communicate in writing to the Commission for any activity to be postponed. Therefore from the Commission's side the meeting would still hold unless a communication is received from the government of Burkina Faso stating otherwise.

- ii. The representative explained that the Chairperson would be part of the delegation and would be accompanied by five staff members hence the projected 12 participants in the budget.

22. The Sub-Committee adopted the supplementary budget of \$153,071.

e) Office of the Legal Counsel

23. The Legal Counsel's representative presented the summary of the 2014 supplementary budget request. The request was US\$141,801 for the operational budget.

Comments by the Member States

- i. There was no venue mentioned in the Budget.
- ii. Questioned on the number of RECs, since only seven were mentioned instead of eight.
- iii. The Tickets costs needed to be harmonized.
- iv. Questioned why the budget was not included in the initial budget for the year..

Response by Commission

- i. The venue had not yet been decided due to the fact that the Task Force had not even been formed. There was a possibility of holding the meeting(s) in Addis Ababa in order to reduce cost.
- ii. The ticket costs were based on average.

24. The Sub-Committee adopted the supplementary budget of \$141,801.

f) African Union Commission on International Law (AUCIL)

25. The Legal Counsel's representative presented the summary of AUCIL's supplementary budget request for 2014. The request was US\$125,508 for the operational budget. The AUCIL have arranged to hold statutory meetings.

Comments by the Member States

- i. Average ticket cost should be aligned and pegged at \$1,200 instead of \$1,300.
- ii. Questioned the independence of the AUCIL as an Organ.

Response by the Commission

- i. The RECs were supposed to be eight; however, the Maghreb Union usually did not attend the meetings whenever they were invited.
- ii. There had always been a 5% cap on the initial budget, and all the requests could therefore not be accommodated.
- iii. The AUCIL is not a self-accounting body, and is hosted by the Legal Counsel. It is a substantive issue worth considering.

26. The Sub-Committee adopted the supplementary budget of \$125,508.

g) AU Office in Geneva

27. The Director of PBFA presented the summary of the Geneva Office's 2014 supplementary budget request. The request is US\$129,000 for the operational budget.

Comments by the Member States

- i. Wondered whether the amount of US\$24,000 was for refunds for the entire bills for the year.
- ii. Questioned why Geneva Office wanted to replace drivers and cleaners during meetings
- iii. Questioned why the freelance staff had 20 days of allowance whilst the other staff members had fewer days.
- iv. The budget for telephone costs should be indicated in the regular budget instead of the supplementary budget.

Response by the Commission

- i. A refund was to be made to staff based on pre-determined telephone expense entitlement and monthly allocations.
- ii. With regard to replacements, since a driver or cleaner could not work beyond certain number of working hours, there was need for replacement during meetings.
- iii. Interpreters had to work throughout the meetings, thus the more days accrued to them.

28. The Sub-Committee adopted the supplementary budget of \$129,000.

h) PANVAC

29. The Director of PBFA presented the supplementary budget of US\$ 25,932.90 for PANVAC.

30. The request was adopted by the Sub-Committee.

i) Bureau of the Deputy Chairperson

31. The Director of PBFA presented the supplementary budget of US\$ 126,000 for the Bureau of the Deputy Chairperson. The budget breakdown is as follows: Operational Budget – US\$ 60,000 and the Program Budget – US\$ 66,000.
32. The supplementary budget of the Bureau of the Deputy Chairperson was adopted by the Sub-Committee.

j) Administration and Human Resource Management

33. The Director of AHRM presented the summary of the 2014 supplementary budget request. The request was US\$888,427.06 for the operational budget and US\$154,053 for the Programme Budget.

Comments by the Member States

- a. Questioned why major projects such as the Lifts , Medium Voltage Automatic Switch and Water Reservoir would be in the Supplementary Budget and not in the Regular budget
- b. Questioned the cost of the water reservoir which had been quoted as US\$80,000.

Response by the Commission

34. The Director of AHRM appreciated the concerns raised by members of the Sub-Committee on the replacement of the lifts for the building, Medium Voltage Automatic Switch and the construction of a water tank estimated at US\$ 250,000, US\$ 305,000 and US\$ 80,000 respectively. He requested for the withdrawal of the budget items and informed the meeting that he will further analyse them for possible re-submission in the next regular budget. The Operational supplementary budget adopted by the Sub-Committee was US\$ 253,427.06, being Staff transfer costs of US\$ 153,220, Overtime of US\$ 6,304.80, Fuel and Lubricants of US\$ 61,000 and Maintenance of Vehicles of US\$ 32,906.20.

k) AU Office in Cairo

35. The Director, PBFA presented the summary of Cairo Office's 2014 supplementary budget request for US\$20,000 for the operational budget. Cairo Office had moved office and had to purchase air conditioners because the previous building was furnished. Their supplementary budget request was the difference between the amount that they were requested to vire and the extra costs to be incurred.

Comments by the Member States

- a. Requested to know whether the new office belonged to the AU or the AU was still renting.
- b. Sought clarification on the windows Blinds, carpet, chairs and table.

Response by the Commission

36. The Cairo office is still on rented premises. The office has to furnish the premises.
37. The supplementary budget of the AU Office in Cairo was adopted by the Sub-Committee.

l) Human Resource and Science Dept.

38. The Director of the Department presented the 2014 supplementary Program budget of \$161,469 which was adopted by the Sub-committee. The members applauded the department for the clear presentation.

m) Social Affairs Department

39. The department made a presentation informing the sub-committee that the planned Extra-Ordinary summit planned for Sept 2014 had been postponed due to the Ebola outbreak. The Supplementary Program budget is US\$ 234,556.00

Comment from the member states

40. The members wanted clarification on the need to have the budget for the extra heads of state summit approved while the activity had been postponed.

Response from the commission

41. The Director explained that the summit was postponed and not cancelled and hence the summit can be called anytime during this current year. He also explained that there are expenses that had already been incurred prior to the cancellation involving logistics and procurement and hence the budget cannot be removed.
42. The budget was adopted by the Sub-committee.

n) SPPMERM Department

43. The Director of the department made a presentation of the Supplementary Program budget request of \$1,544,170. The Director explained that the Agenda 2063 activity will be funded by the office of the chairperson while the funding for the other

activities is still under negotiation even though the funds have already been secured. The Director provided a breakdown of the funding as follows:

- i. Africa Development Bank - \$750,000
- ii. European Commission - \$500,000
- iii. Voluntary contribution - \$300,000

Comments by member states

- i. The members sought clarification on how the Bureau of the Chairperson can fund for activities of other departments while the department is requesting a supplementary Budget.
- ii. The members sought clarifications on the activities planned.

Response from commission

- i. The Director of PBFA explained that the Chairperson received voluntary contribution from Government South Africa on assumption of office to cover urgent activities that was not envisaged in original budget that was approved prior to her assumption office. The funds were earmarked only used for critical and important including facilitation of the development of Agenda 2063. The Sub-Committee and the PRC was notified of the funds received in accordance with relevant provision of the Financial Rules and Regulations. .
- ii. The Director of SPPMERM explained that the meeting for small Islands States will be held in Mauritania which was approved by the head of states summit in Malabo. The inter- faith budget was presented by the caucus of the inter faith.

44. The budget was adopted by the Sub-committee.

o) Department of Rural Economy and Agriculture

45. The representative of the AU IBAR in the commission presented the budget of \$1,024,926 for the Member states consideration. However, the representative requested to drop the implementation of the Africa Regional Strategy for DRR as there was no concrete commitment from EU and the duration to implement will be too short. The revised budget was thus \$682,147.

Comments by Member states

- i) The Members of the sub-committee noted with concern too many activities being planned for implementation considering the limited time required to implement the activities during the year 2014.
- ii) The member states highlighted the continued below average execution for the IBAR office and the fact that they are requesting for more funds.

Response from commission

46. The IBAR representative explained that already the ground work is already done and they are only waiting the approval by the Member states to start implementing the activities. The representative assured the Member states that the activities will be implemented expeditiously with the provided time frame.
47. The revised budget of US \$ 682,147 was adopted by the Sub-Committee.

p) Peace and Security Department

48. A representative of the Department made a presentation of the 2014 supplementary budget of \$26,975,922.51.

Comments by Member states

- i) The Member states raised concern that the activities were too many to be implemented in the remaining period of the budget year 2014.
- ii) The member states applauded the department for the continuous high rate of execution on the program budget.

Response by the commission

49. The representative explained that the activities are on-going and no new activities are planned for the remaining period.
50. The budget was adopted without any changes or amendments by the Sub-committee.

q) Advisory Board on Corruption

51. The Director of PBFA presented the operational supplementary budget of \$70,020 for AUBC; to be funded by the Member States. He explained that there is no partner who is funding the Board, as the support from the Swedish government was withdrawn due to alleged misapplication of funds. Approximately 95% of the expenditures were regarded as ineligible in the Audit findings following an independent audit commissioned by the Partner. The Director assured the Member states that the Swedish government pledged not to recover the funds from the Union and that the outcome was being used as lessons learnt.

Comments by the Member States

- i) The member states raised concern on how such a body established to address issues of corruption could be involved in the activities as the onset.
- ii) The member states requested the Commission to be actively involved as oversight of the Board.

- iii) The member states raised concern on the medical and installation allowances for the finance officer and why was included in the budget since such amount was already in the original budget of the office which the officer was initially located.

Response from the commission

- 52.** The Director explained that budgets are for offices and not individuals.
- 53.** When staff are moved from one office to another, a budget must be established for that new office, as budget for previous offices will be utilized by the subsequent replacements.
- 54.** The budget was adopted by the Sub-Committee.

General comments from member states

- i) Prior to the budgeting of activities, the programs should first be reviewed and approved by the sub-committee on Programs and Conferences.
- ii) There should be no funding gaps for the 2016 budget to be submitted to the sub-committee for consideration.
- iii) The budgets for Departments not represented in the meeting will not be approved. Hence the supplementary request for Political Affairs Department and Infrastructure and Energy department were not approved and dropped for year 2014.
- iv) The Sub-Committee took exceptions to the failure by the above Departments in failing to attend the meeting and to defend their supplementary budget requests.
- v) The Director of PBFA should advise the Organs and Departments that they are required to prepare their requests in line with the Financial Rules and Regulations.
- vi) Raised concern that supplementary requests should only be for unforeseen circumstances, and that the matter shall be referred to the PRC for deliberation and consideration.

Recommendations by the PRC Advisory Sub-Committee

- 55. The Sub-Committee made the following recommendations:**
 - I. Recommended a total supplementary budget of US\$31,037,714.92 broken down into operating budget of US\$ 774,310.41 and Programs of US\$ 30,263,404.51 (Annexes I, II, III and IV)**
 - II. The supplementary budget is proposed to be financed by Member States from Reserve fund (US\$ 1,439,410.41) and Partners (US\$ 29,598,304.51) – Annex II**

III. Dropped the requests of those Departments who failed to come and defend their requests namely:

- **Infrastructure and Energy US\$ 57,658.00.**
- **Political Affairs US\$ 1,087,543.00**

H. Presentation and discussion of AU Anti-Fraud and Corruption Policy

56. The Director of Programming, Budgeting, Finance and Accounting (PBFA) presented the summary of the AU Anti-Fraud and Corruption Policy.

Comments by the Member States

- i) The Commission was commended for the initiative which was however long overdue.
- ii) Member States requested some value added to the document and encouraged the implementation of the document at all levels within the Union.
- iii) What would be the various sanctions that would be applicable.
- iv) Would like the language to be stronger so that all provisions be legally binding. Words such as 'may' should be avoided in such legal documents, as the use of such elusive languages might mislead interpretations of the document.
- v) Expressed concern that the language used in the preparation of the Policy was weak and needed to be reviewed by the Legal Counsel and requested their presence in the next consideration of the Policy document.
- vi) Members also requested to know the applicable laws for the implementation of the document and requested whether international or country laws would be applicable.
- vii) Requested to know which superseded the other; between the AU Anti-Fraud and Corruption Policy or the local jurisdiction.
- viii) Requested to know what procedure would be taken if the violation involves elected Officials or senior management official.

Response by the Commission

- i) The Director explained that it was an initiative from the Commission and that any input from the Sub-Committee members would be welcome.
- ii) The use of words such as "may" was done because it was not used to add further sanctions in addition to what the other statutory documents such as the Staff Rules or the Financial Rules offered.
- iii) Agreed to review the document with the comments and to present the document at the next meeting

- iv) The Office of the Legal Counsel gave its opinion on the Anti-fraud policy and explained that the word “may would be changed to “ shall” in the document
- v) Office of Internal Audit (OIA) recommends legal and disciplinary action
- vi) The local authorities could also be engaged. The laws could not be enforced without the cooperation of the local law enforcement agencies. However, the local authorities could get involved unless requested by AU. Even the request should be done only after revoking the immunity clause.
- vii) The AU policy system and the Local Courts are two independent systems which should work in harmony, to avoid punishment of individuals twice.
- viii) If there was violation by any individual within the AU, the same procedure would be used. The rule would apply to everyone without exception. The issue of the elected officials would be addressed in the policy document.

Recommendations

- i) The Legal Counsel should review the document to strengthen the sanction regime.**
- ii) The reporting structure for the Internal Audit needed to be clarified, as well as the reporting channels of the organs.**
- iii) The Commission was requested to review the document and incorporate the comments from the Sub-Committee and to get back with the amended report.**

57. After a further analysis of Section 12, Office of the Legal Counsel (OLC) advised as follows:

Section 12 (1): Office of the Legal Counsel (OLC) agrees with the proposal by the Sub-committee to change “may” to “shall” in the first sentence of this paragraph to ensure that Office of Internal Audit (OIA) ***always*** recommends administrative, legal or disciplinary action once it has been established that any person or entity has violated this policy. This will ensure that it is not left to the discretion of OIA or the Commission to determine whether or not to recommend appropriate action in spite of an established violation having occurred.

Section 12 (2): Office of the Legal Counsel (OLC) proposes to maintain the reference to “may” in the first sentence of this paragraph and to change the reference to “may” in the last sentence to “shall” to read as follows:

“In addition, any reported cases pursuant to this Policy involving criminal activity may be referred to local law enforcement authorities. Any such referral shall be made following consultation with the Legal Counsel and the approval of the Chairperson of AU Commission, and if necessary, after waivers of immunity have been invoked. The Union **SHALL** seek recovery of its funds and/or property using all means at its disposal, including through legal action”

- 58.** The import of the Office of the Legal Counsel (OLC) proposal is to ensure that the Union **will always** seek to recover the funds or property of the organization once violation of the policy has been established. However, it is not in all instances or cases that a violation would warrant instigation of criminal proceedings through local law enforcement authorities. For instance, there may be cases where an administrative or disciplinary action may suffice, depending on the gravity of the criminal activity that occurred, where the Union has made recovery in full and cost implications of such referral far outweighs the establishment of guilt through criminal proceedings.
- 59.** The Anti-Corruption Policy was adopted after the above clarification and amendment.

I. Any Other Business

- a) A Member of the Sub-Committee demanded that the report of the Hawassa Retreat be made available. The chair of the meeting recalled the issues but responded that the report has still not been submitted.
- b) Chairing of the PRC Sub-Committee on Administrative, Budgetary and Financial Matters

The Delegation of Mauritania questioned the legality of the Chairperson for the October 3, 2014 for not being a member of the Bureau. The representative made a reservation on the meeting and requested that the PRC discusses the procedural matter.

Comments by the Member States

- i) Through practice, a Chairperson, in the absence of the Bureau members, could be chosen from the members present. If practice was to be repeated, then it would be legal.
- ii) The practice had been there for the past eight years, where members would designate someone other than the Bureau members.
- iii) The issue should be taken as an agenda by the PRC and discussed.
- iv) The PRC Chair should take up the responsibility in the absence of the Bureau Members.
- v) If the meeting was postponed, there would be little time to process the Supplementary Budget before the end of the year.
- vi) If the PRC could not be chaired by a non-member of the Bureau then what applies to the PRC should also apply to the Sub-Committee.
- vii) Bad practice could be repeated severally, but it could not be the force of law.

Response by the Legal Counsel

- 60.** In the absence of the Chair of the Bureau or the members of the Bureau, a Chair person could be chosen from the members present.

Recommendation

- 61. The Sub-Committee requested the Chair of the PRC to convene a meeting of its members to deliberate on the issue of chairing of the PRC Sub-Committees.**

Closing

- 62.** The meeting was adjourned at 1040 hrs.

SUMMARY OF SUPPLEMENTARY REQUEST
BY DEPARTMENT/ORGAN
FOR FY 2014

ANNEX I

Organs/Departments	Requested	Recommended
Medical Centre	54,356.00	54,356.00
AHRD	1,042,480.06	253,427.06
Geneva Office	129,000.00	129,000.00
Cairo Office	20,000.00	20,000.00
Washington Office	108,866.45	72,466.45
PANVAC Office	25,932.90	25,932.90
Bureau of Deputy Chairperson	126,000.00	126,000.00
Infrastructure & Energy	57,658.00	-
Office of Legal Council	141,801.00	141,801.00
Bureau of Chairperson	405,023.00	153,071.00
Rural Economy	1,024,925.96	682,187.00
HRST	161,469.00	161,469.00
Political Affairs	1,087,543.00	-
Peace and Security	26,975,922.51	26,975,922.51
Social Affairs	234,556.00	234,556.00
Trade & Industry	267,828.00	267,828.00
SPPMERM	1,544,170.00	1,544,170.00
TOTAL AUC	33,407,531.88	30,842,186.92
OTHER ORGANS		
AU Advisory Board on Corruption	70,020.00	70,020.00
AUCIL	125,508.00	125,508.00
TOTAL OTHER ORGANS	195,528.00	195,528.00
GRAND TOTAL	33,603,059.88	31,037,714.92

**RECOMMENDED BY THE SUB-COMMITTEE
SUMMARY OF SUPPLEMENTARY BUDGET REQUEST FOR 2014**

ANNEX II

Organs/Departments	Reserves (Member States)			Partners		Recommended by Sub-Cttee		
	Operational	Programs	Total		Total	Operational	Programs	Total
Medical Center	54,356.00		54,356.00		-	54,356.00	-	54,356.00
AHRD	253,427.06		253,427.06		-	253,427.06	-	253,427.06
Geneva Office	129,000.00		129,000.00		-	129,000.00	-	129,000.00
Cairo Office	20,000.00		20,000.00		-	20,000.00	-	20,000.00
Washington Office	36,066.45	36,400.00	72,466.45		-	36,066.45	36,400.00	72,466.45
PANVAC Office	25,932.90		25,932.90		-	25,932.90	-	25,932.90
Bureau of Deputy Chairperson	60,000.00	66,000.00	126,000.00		-	60,000.00	66,000.00	126,000.00
Infrastructure & Energy		-	-		-	-	-	-
Office of Legal Council		141,801.00	141,801.00		-	-	141,801.00	141,801.00
Bureau of Chairperson		153,071.00	153,071.00		-	-	153,071.00	153,071.00
Rural Economy			-	682,187.00	682,187.00	-	682,187.00	682,187.00
HRST			-	161,469.00	161,469.00	-	161,469.00	161,469.00
Political Affairs			-	-	-	-	-	-
Peace and Security			-			-		

				26,975,922.51	26,975,922.51		26,975,922.51	26,975,922.51
Social Affairs			-	234,556.00	234,556.00	-	234,556.00	234,556.00
Trade & Industry		267,828.00	267,828.00		-	-	267,828.00	267,828.00
SPPMERM			-	1,544,170.00	1,544,170.00	-	1,544,170.00	1,544,170.00
TOTAL AUC	578,782.41	665,100.00	1,243,882.41	29,598,304.51	29,598,304.51	578,782.41	30,263,404.51	30,842,186.92
OTHER ORGANS								
AU Advisory Board on Corruption	70,020.00		70,020.00		-	70,020.00	-	70,020.00
AUCIL	125,508.00		125,508.00		-	125,508.00	-	125,508.00
TOTAL OTHER ORGANS	195,528.00	-	195,528.00	-	-	195,528.00	-	195,528.00
GRAND TOTAL	774,310.41	665,100.00	1,439,410.41	29,598,304.51	29,598,304.51	774,310.41	30,263,404.51	31,037,714.92

OPERATIONAL BUDGET

SUMMARY OF SUPPLEMENTARY REQUEST FOR 2014

Ref. Code	Cost Center	Budget Code	Activity Description	Initial Appropriation	Expenditure Jan - Jun	Expenditure Jul - Dec	Projected Expenditure till 31 Dec 2014	Supplementary Request	Recommended by Sub-Cttee	Source of Funding
AUC										
HEADQUARTERS										
	MED01	ZMED300	Temporary Assistance for Medical Center	274,600.00	186,655.75	142,300.25	328,956.00	54,356.00	54,356.00	MSs
	AHR03	ZAHR205	Staff Transfer Costs	177,432.50	48,246.00	282,406.50	330,652.50	153,220.00	153,220.00	MSs
	AHR03	ZAHR306	Overtime	102,152.40	63,512.48	44,944.72	108,457.20	6,304.80	6,304.80	MSs
	AHR06	ZAHR603	Fuel and Lubricants	126,787.95	29,974.09	157,813.86	187,787.95	61,000.00	61,000.00	MSs
	AHR06	ZAHR604	Improvement of Premises (funding request)		-	330,000.00	330,000.00	330,000.00	-	Acq. Of property fund
	AHR06	ZAHR606	Maintenance of vehicles	78,750.00	29,059.80	82,592.46	111,652.26	32,902.26	32,902.26	MSs
	AHR09	ZAHR904	Office Equipment (Medium Voltage Automatic Switch)	59,850.00	12,889.35	351,960.65	364,850.00	305,000.00	-	MSs
	DCP01	ZDCP100	Official Mission	130,009.12	107,554.57	82,454.55	190,009.12	60,000.00	60,000.00	MSs
			TOTAL HQ					1,002,783.06	367,783.06	
Geneva Office										
			Temporary Assistance	11,800.00	11,592.26	11,207.74	22,800.00	11,000.00	11,000.00	MSs
			Medical Scheme	192,000.00	139,757.98	128,242.02	268,000.00	76,000.00	76,000.00	MSs
			Telephone	14,638.37	8,242.03	16,396.34	24,638.37	10,000.00	10,000.00	MSs
			Other Supplies and Services	8,000.00	4,809.28	35,190.72	40,000.00	32,000.00	32,000.00	MSs
								129,000.00	129,000.00	

Cairo Office										
			Education allowance	62,262.72	24,232.99	45,029.73	69,262.72	7,000.00	7,000.00	MSs
			Office Equipment	1,070.80	-	9,070.80	9,070.80	8,000.00	8,000.00	MSs
			Office furniture & fittings	1,000.00	-	6,000.00	6,000.00	5,000.00	5,000.00	MSs
								20,000.00	20,000.00	
Washington										
	BCP06		Education Allowance	19,877.66	19,595.43	36,348.68	55,944.11	36,066.45	36,066.45	MSs
			Total Washington					36,066.45	36,066.45	
PANVAC										
	REA10		Education Allowance	38,376.00	34,246.90	30,062.00	64,308.90	25,932.90	25,932.90	MSs
			Total PANVAC					25,932.90	25,932.90	
			TOTAL AUC					1,213,782.41	578,782.41	

OTHER ORGANS

Advisory Board on Corruption										
			Installation allowance	-		16,020.00	16,020.00	16,020.00	16,020.00	MSs
			Medical expenses	-		15,000.00	15,000.00	15,000.00	15,000.00	MSs
			Education allowance	-		39,000.00	39,000.00	39,000.00	39,000.00	MSs
			Total Advisory Board on Corruption					70,020.00	70,020.00	
AUCIL										
			9th Ordinary Session of AUCIL	-			125,508.00	125,508.00	125,508.00	MSs
			Total AUCIL					125,508.00	125,508.00	
			Total Other Organs					195,528.00	195,528.00	
			GRAND TOTAL					1,409,310.41	774,310.41	

Program Budget 2014
Summary of Supplementary Request

Department	Project	Output/Activity	Supplementary Request	Recommended by Sub-Cttee	Source of Funding	Type of request
Deputy Chairperson		Ministerial Committee Meeting appointed by Executive Council in Bahir Dar	66,000	66,000	Turkish	
		Sub-Total - Bureau of Deputy Chairperson	66,000	66,000		
Infrastructure & Energy		Conference of AU Ministers in Charge of Transport	57,658	-	Equatorial Gunea	
		Sub-Total - Infrastructure & Energy	57,658	-		
Office of Legal Council	Strategy and Policy Development for the 2050 AIM Strategy	Implementation of the 2050 Africa's Integrated Maritime (AIM) Strategy - Assembly/AU/Dec.496 (XXI) and EX.CL/Dec.822 (XXV)	141,801	141,801	MSs	
		Sub-Total - Legal Council	141,801	141,801		
Office of Chairperson		Africa-Arab Partnership	42,484	24,270	MSs	
		Africa-India Consultative Forum	260,212		MSs	
		Africa-Korea Forum	20,724	20,740	MSs	
		Africa-China Consultative Forum	59,551	47,061	MSs	
		Africa-South America Partnership	22,052		MSs	
		Africa-Turkey Summit	-	61,000	MSs	
			405,023	153,071		
Washington Office		Washington Office - Advocacy for the Renewal of AGOA and the promotion of Trade in North America	72,800	36,400	AfDB	Exigency
		Sub-Total - Bureau of Chairperson	72,800	36,400		

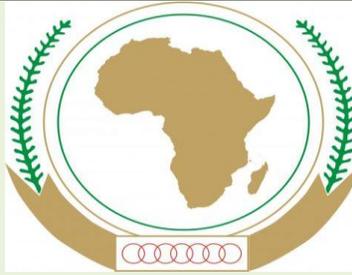
Rural Economy & Agriculture	Implementation of the Africa Regional Strategy for Disaster Risk Reduction	Engage DRR dedicated HR within AUC to manage the Programme	342,739	-		
	IBAR	Reinforcing animal health services in Somalia	82,187	82,187	European Union (EU)	Exigency
		Enhance coordination in the fisheries sector for expeditious development of the sector	200,000	200,000	European Union (EU)	Exigency
		Support effective participation of African countries in RFMOs for sustainable high sea fisheries management	50,000	50,000	European Union (EU)	Exigency
		Promote coherence and harmonization in fisheries policies and regulatory frameworks	100,000	100,000	European Union (EU)	Exigency
		Strengthen capacities and promote regional arrangements for improved negotiation of fisheries access arrangements	50,000	50,000	European Union (EU)	Exigency
		Strengthen stakeholder participation and promotion of community-based management of small-scale fisheries	50,000	50,000	European Union (EU)	Exigency
		Strengthen and develop regulatory frameworks for aquaculture development	50,000	50,000	European Union (EU)	Exigency
		Strengthening aquaculture network for information sharing	50,000	50,000	European Union (EU)	Exigency
		Strengthen capacity for evidence based advocacy	50,000	50,000	European Union (EU)	Exigency
		Sub-Total - Rural Economy	1,024,926	682,187		
HRST		Running of PAU	137,469	137,469	GiZ	Exigency
		Coordination Meeting for the COP-MOP 1	24,000	24,000	GiZ	Exigency
		Sub-Total - HRST	161,469	161,469		
Political Affairs		Deployment of AU Long Term Election observation mission to the 2015 General Elections in Nigeria	1,000,000	-	JFA-Election	Exigency
		Support the EMBs and electoral processes in Member States through Electoral observation and	87,543	-	Algeria	Exigency

		follow up missions				
		Sub-Total - Political Affairs	1,087,543	-		
Peace & Security	Capacity building	Workshop,training/other Result Base Management within PSD	15,953	15,953	German	Continuation
		Purchase of office equipment to strengthening Capacity & efficiency PSFD	36,675	36,675	Japan	Continuation
	Operationalise the African Peace and Security Architecture (APSA)	POW-Women &Children in Armed Conflict	32,183	32,183	German	Continuation
		Purchase storage equipment and accessories for 3 blade servers	64,935	64,935	EU support to APSA	Continuation
		Purchase of office equipment (Computers,printers,photocopier & furniture)	25,974	25,974	EU support to APSA	Continuation
		Continental Conflict Preven Framework	29,141	29,141	German	Continuation
		Technical equipment to Situation room	14,726	14,726	German	Continuation
		Conduct AMANI Africa II EX.	2,894,700	2,894,700	EU - AMANI Africa II	Continuation
		Spport for Police Strategy Support Group	200,000	200,000	German	Continuation
		Conduct SML course for 24 Senior Mission Leaders to staff the ASF SML database	260,000	260,000	EU support to APSA	Continuation
		Implementation of media campaign in support of ASF Roadmap	19,240	19,240	EU support to APSA	Continuation
		Capacity Dev't Project management, Human Resource, Workshop	156,127	156,127	EU - African Training Institute	Continuation
		Establishment of e- Library	333,667	333,667	EU - African Training Institute	Continuation
		Continental Peace Academy	150,000	150,000	EU - African Training Institute	Continuation

	Training need analysis	107,273	107,273	EU - African Training Institute	Continuation
	Support to the establishment of a Command, Control, Communication and Information System (C3IS) for African-led peace support operations	15,000,000	15,000,000	EU-C3SI	Continuation
	African-led Int'l support Mission to Mali (Purchase of vehicles for Malian Defense & Security force)	1,000,000	1,000,000	AFISMA Fund	Continuation
	APSA Roadmap Assessment and workshop to	152,602	152,602	EU-APSA	Continuation
	Mgt Supp-JCC, Steering committee"	272,727	272,727	EU-APSA	Continuation
	Mgt Supp-M & E Mission	87,662	87,662	EU-APSA	Continuation
	Common services to REC/RM offices to AU	45,455	45,455	EU-APSA	Continuation
	Admin Activities-GIZ -KFW Contribution	10,000	10,000	German	Continuation
Programme on Conflict Prevention, Management and Resolution & Post Conflict Reconstruction/Peacebuilding	Workshop on PCRD poilcy implementation	47,859	47,859	German	Continuation
	ASI-Support to Capacity Building in Preventing and Responding to Sexual Violence in Conflict, Post - Conflict -The Great Lake and other Regions	114,965	114,965	UK	Continuation
	Support to the African Union-led Regional cooperation initiative for the elimination of the LRA (RCI-LRA)	1,989,999	1,989,999	1. EU -AU activity against LRA 2. Luxumberg	Continuation
	VSAT connectivety of AUULO with HQ	336,853	336,853	UK	Continuation
	IGAD-EAC-AU-UNDP-ACCORD High Level Seminar on Strengthening conflict prevention and mediation mechanisms and approaches	194,805	194,805	EU-APSA	Continuation

	Support for the activities of AU High Level panel (AUHIP) on Sudan and south Sudan & other mediation	1,138,150	1,138,150	1. Netherlands 2. Japan	Continuation
	Visibility of APSA 10 Anniversary of APSA	151,103	151,103	EU-APSA	Continuation
	Attendance of conference and workshop and Operational cost of AU Border Program unit	159,413	159,413	German	Continuation
Promote the Common African Defence and Security Policy	Recruitment of SSR Consultant	56,861	56,861	Luxembourg	Continuation
	Meeting of AFCOME Commissioners	71,309	71,309	EU-APSA	Continuation
	Bienial meeting of on SALW & Cluster Mun	36,623	36,623	EU-APSA	Continuation
	Establishment of the Head Quarter of AFCONE	161,221	161,221	AFCONE-FUND	Continuation
	AFCONE briefings, training, meeting - treaty	18,407	18,407	German	Continuation
	Auditing of Danish contribution to Anti-Terrorism Model Law	15,000	15,000	Denmark	Continuation
	Training on Countering violent extremism for Eastern Africa Region	84,416	84,416	EU-APSA	Continuation
	Regional workshop on Good practice on Preventing and denying the benefit of Kidnapping for Ransom	148,500	148,500	USA	Continuation
	AU support to the implementation of the Global Counter Terrorism Forum Plan of Action on Victim of Terrorism	99,000	99,000	USA	Continuation
	Strengthening border-related Counter Terrorism capacity in the Sahel and the Maghreb through the International databases and enhanced cooperation and coordination	155,430	155,430	USA	Continuation
	Gender Peace and Security Programme	Gender Peace and Security activities	539,583	539,583	Austria

		Support for addressing Sexual Violence and Women vulnerabilities in times of conflict & post Conflict situation in the framework of field mission/AULOs -CAR	547,386	547,386	1. Japan 2. UK	Continuation
		Sub-Total - Peace and Security	26,975,923	26,975,923		
Social Affairs	Support to the implementation of the AUPA on Drug Control (2013-2017)	Continental, Regional and National Management, Oversight, Reporting and Evaluation of AUPA enhanced	22,045	22,045	UNODC	Exigency
	The end of child marriage in Africa accelerated	Launch of the End Child Marriage Campaign at National and regional levels in Africa	51,000	51,000	Ford Foundation	Exigency
		Extra-ordinary Summit of Heads of State and Government on Employment and Poverty Eradication 03-07 September 2014, Ouagadougou, Burkina Faso,	161,511	161,511	ILO	Exigency
		Sub-Total - SAD	234,556	234,556		
Trade and Industry		9th Conference of Ministers of Trade	197,338	197,338	MSs	Exigency
		Task Force on Continental Free Trade Area	70,490	70,490	MSs	Exigency
		Sub-Total - Trade and Industry	267,828	267,828		
SPPMERM		Agenda 2063 Special Project	1,544,170	1,544,170	TBD	Exigency
		Sub-Total - Trade and Industry	1,544,170	1,544,170		
AHRD		E-Recruitment System incorporated into the SAP recruitment system (2013 project)	84,053	-	MSs	Exigency
		E-Recruitment SAP System fully integrated into the HRM recruitment process workflow	70,000	-	MSs	Exigency
		Sub-Total - Trade and Industry	154,053	-		
Grand Total			32,193,749	30,263,405		



AFRICAN UNION

OCTOBER 2014

ANTI-FRAUD AND CORRUPTION POLICY

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SECTION 1. INTRODUCTION

1. Fraudulent, corrupt and/or collusive practices are contrary to the African Union (AU) core values. AU recognizes the adverse effect that such practices could have on its activities and operations, and is committed to preventing them and taking robust action where they are found to occur. In particular, the AU is committed to preventing: i) fraud and corruption perpetrated by AU staff members and non-staff employees; ii) fraud perpetrated against AU by cooperating partners, suppliers or other third parties; and iii) any collusive practices among any such parties.

2. AU is committed to transparency and accountability in the management of its resources in order to ensure the effective fulfillment of its Strategic Objectives. To this end, this Policy seeks to prevent fraudulent, corrupt and/or collusive practices through: i) appropriate internal checks and balances; ii) staff training and awareness; iii) due diligence practices in the recruitment of African Union staff members, non-staff employees and the hiring of contractors; and iv) effective internal and external auditing controls. The African Union may be exposed to:
 - external fraud, perpetrated by individuals outside the organization
 - internal fraud, perpetrated by Management or employees
 - Collusion, between individuals inside or outside the organization.

3. This Policy reflects the principles underlying the *African Union Convention on Preventing and Combating Corruption* and the principles set out in the Staff Rules and Regulations, the Financial Rules and Regulations, staff Code of Conduct and are also consistent with other relevant internal rules and policies

SECTION 2. PRINCIPLES OF THE POLICY

4. AU is committed to promoting and adhering to the highest standards of probity and accountability in the use of its resources and takes a zero-tolerance stance towards cases of fraud and corruption in its operations. Any fraud in AU's operations depletes funds and other resources intended for supporting its mission. Thus, fraud and corruption can undermine its effective functioning and divert scarce and valuable resources from its mission. Moreover, fraudulent and corrupt behaviour can seriously damage the Union's reputation and erode stakeholders trust in its ability to deliver results in an accountable and transparent manner

5. The Union zero-tolerance position is fully enforced where credible evidence of corruption exists among its staff and operations. Also, steps will be taken to ensure that internal processes and procedures of Organs of the Union comply with the highest standards of accountability and integrity. Under this policy, Officials and staff of Organs of the Union proven to have engaged in corrupt or fraudulent practice in fulfillment of their duties will be fully investigated and disciplined in accordance with applicable Rules and Decisions.

SECTION 3. OBJECTIVE

6. The purpose of this policy is to provide a working definition and conceptual framework for understanding the various forms, types and levels of corruption and fraud and outline where and how corruption and fraud may occur in Union's operations, and modalities for its prevention, The key elements of the anti-fraud and corruption policy are therefore to clearly propose counter-fraud and corruption measures and clearly define the key roles and responsibilities in preventing, deterring, and detecting, investigating and taking action against perpetrators. The policy will cover fraudulent, corrupt, collusive, coercive and obstructive practices as well as explicit provisions on other international prohibitive practices such money laundering and terrorist financing in its operation

SECTION 4. SCOPE

7. This Policy applies to all activities and operations of the organs of AU, including: i) any project funded by any organ of the Union; and ii) any project implemented by the organs of the Union and specialized agency. This Policy applies to all staff and non-staff members of organs of the Union, including but not limited to: i) consultants; ii) temporary assistance personnel v) assignment of limited duration contract holders; vi) interns and volunteers. It also covers all circumstances when staff is performing work, duties or functions as well as work related activities such as travel, conferences and any circumstances when a person is representing an Organ of the Union.
8. This policy framework addresses the following topics, namely: fraud, corruption and abuse, staff awareness; responsibility, structures for implementation, notification and detection systems; external notification and investigation systems; and conduct and disciplinary procedures. The commitment of AU to detect and combat fraud, corruption and abuse are complemented by other arrangements the Union is undertaking to improve its operational effectiveness through strengthened governance, internal control and compliance and risk management practices.

SECTION 5. DEFINITIONS

9. A critical factor which underpins the success of this framework is a shared understanding of the practices which are prohibited. The definitions provided here and the examples to be cited under section and serve to achieve a shared understanding.

Abuse means waste or improper use of the assets of AU or AU financed or supported activity, either committed intentionally or through reckless disregard.

Corruption is an act in which a person or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for themselves or for another person/entity..

Collusive practice is an arrangement among two or more parties designed to achieve an improper purpose, including but not limited to, influencing improperly the actions of another party or engaging in price-fixing.

Corrupt practice is the offering, giving, receiving or soliciting, directly or indirectly, or attempts to do so, of anything of value to influence improperly the actions of another party.

Evidence” means any physical object, record, document (in any form), testimony, or other information that tends to establish the existence or non-existence of an allegation or fact.

False or malicious allegations means allegations that are knowingly, deliberately or recklessly inaccurate or misleading, to gain some competitive advantage or cause harm to a person or entity

Fraud is a dishonest activity causing actual or potential financial loss to any other person, entity including theft of money or other property by employees or persons external to the entity and whether or not deception is used at the time, immediately before or immediately following the activity.

Fraudulent practice is any act or omission, including any misrepresentation, that knowingly misleads, or attempts to mislead, a party to obtain any financial or other benefit or to avoid any obligation.

Integrity violation is any act which violates AU's Fraud and Anticorruption policy and includes, abuse, coercion, collusion, conflict of interest, corruption, and fraud, as defined herein

Obstructive practice is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of contractual rights of audit or access to information.

Retaliation is misconduct and is any detrimental act, direct or indirect, recommended, threatened or taken against a whistleblower or witness or person associated with a whistleblower or witness in a manner material to the complaint because of the report or cooperation with an AU investigation by the whistleblower or witness. It includes but is not limited to harassment, discriminatory treatment, assignment of work outside the corresponding job description, inappropriate performance appraisals or salary adjustments, or the withholding of an entitlement. As retaliation constitutes misconduct, those engaged in retaliation are subject to the disciplinary as provided in the Staff rules and Regulations.

SECTION 6. REPORTING PROCEDURES

10. All persons to whom this Policy applies shall report promptly any action or practice that is or may be in breach of this Policy, or any attempts thereof, in accordance with the procedures outlined in this Policy. Each AU staff member and non-staff employee is required to report promptly any reasonably suspected case of any fraudulent, corrupt and/or collusive practices, or any related attempts of such practices, to his/her manager or to the Director-

Office of internal Audit if confidentiality is desired. All managers shall report any such cases promptly to the Director- Office of Internal Audit.

11. Any person who reports reasonably-held suspicions of fraud or corruption, or who cooperates in such investigations shall not be subject to recriminations or victimization. Victimization or any attempts to deter anyone from reporting suspicions of fraud or corruption or from witnessing such acts in an investigation constitute a serious breach of the Code of conduct, and may result in the imposition of disciplinary measures in accordance with Staff Regulation Rules and Regulations.
12. Proven abuse of the process by making knowingly false, vexatious or malicious allegations shall be regarded as a serious breach of the Code of Conduct for staff, and may also result in the imposition of disciplinary measures in accordance with Staff Regulation Rules and Regulations.

SECTION 7. CONFIDENTIALITY OF INFORMATION AND PROTECTION OF IDENTITY

13. Staff members, consultants, experts, external collaborators, interns, contractors, suppliers, cooperating parties and any third parties who have entered into a contractual agreement with the AU and have reported suspicions of fraud or corruption shall not discuss the matter with anyone other than the person to whom the report is made or as otherwise directed. The Union shall take all appropriate measures to ensure that the information reported is disclosed only to the persons handling the investigation and remains strictly confidential.
14. The Union shall keep secret the identity of the person(s) reporting in good faith any suspicion of fraud and corruption and shall protect them from any form of reprisal in cases of reasonable fear of adverse reaction from the person whom they reasonably suspect of having committed a fraudulent act or from a superior. In cases where the person reporting the incident is required to provide evidence, his/her identity shall be kept secret except as required by any legal proceedings.

SECTION 8. PROTECTED DISCLOSURE

15. Staff and any other third parties can report suspected cases of corruption and fraud as protected disclosure. Protected disclosure reports are submitted through the Director – Office of Internal Audit. The necessary protection shall be provided against any reprisals or detrimental action to all staff members who act in good faith in reporting suspected corruption and fraud as provided for within the framework of this policy. This protection, however, will not be provided if the disclosure is made frivolously or with the intention of causing trouble or with the primary motive of questioning the merit of the policies of the Union or as an attempt to avoid dismissal or disciplinary action.
16. Detrimental action covers protection against injury, damage or loss, intimidation or harassment, discrimination, disadvantaged or adverse treatment in relation to employment, dismissal from or prejudice in employment or disciplinary proceedings. Action should also be taken against staff members who take detrimental action against another staff that has

made a protected disclosure. Where the need may arise for the identity of person who reported the case to be identified, discussion shall be held with the person before the next steps are taken.

17. All reports of suspected corruption and fraud should be registered and filed for review which will be followed by a preliminary evaluation of the report and prioritization of the reports. The execution of the foregoing steps provides a basis for launching an examination and investigation of the suspected case of corruption and fraud

SECTION 9. RESPONSIBILITY FOR INVESTIGATIONS

18. The Office of Internal Audit (OIA) is primarily responsible for the investigation function within the Organs of the Union under this Policy until and unless a dedicated Investigative function is established within structures of the Union by the Policy Organs. All allegations of fraud are reviewed by the OIA. In addition, OIA may undertake proactive investigations in high risk areas that are susceptible to fraud and corruption. Where a matter is appropriate for an OIA investigation, the case will be assigned to an investigator who will conduct an objective investigation of all available facts. This will include the collection and review of all relevant documents, interviews of people who can provide information, and an interview with those alleged to be involved in fraud. OIA may also coordinate with other fraud investigation offices, as appropriate, to ensure the effective investigation of fraud involving more than one organization, or where perpetrators external to the AU Organs are allegedly involved.
19. The planning and conducting of investigations has to be executed as quickly as possible and supported with a clear record of the processes and information collected. The Officer carrying out investigations should have full and unrestricted access to relevant information, records, personnel and property of the Organs of the Union.
20. All findings and conclusions of investigations have to be clearly documented and appropriate measures put in place to prevent disclosure of the findings and outcomes. Results of the investigation will be disclosed only on a need-to-know basis in order to avoid damaging the reputation of innocent persons initially suspected of wrongful conduct and to avoid civil liability claims. Results of the investigation can only be discussed and disclosed with authorized representatives of the Union or representatives of the concerned national authorities who have responsibility for anti-corruption activities and who have a legitimate need to know results as part of their duties and responsibilities.
21. In addition, AU considers an obstructive practice as a demonstration of failure to maintain highest ethical standards required by this Policy. An obstructive practice is deliberately destroying, falsifying, altering or concealing information or evidence material to an investigation being conducted under these principles and guidelines; making false statements to investigators to materially impede such an investigation; threatening, harassing, or intimidating any party to prevent that party from disclosing its knowledge of matters relevant to an investigation or from pursuing an investigation; or any act intended to

materially impede the exercise of AU's rights of access to information. An obstructive practice is subject to appropriate disciplinary and/or legal action.

22. Any investigation pursuant to this Policy shall be conducted impartially, fairly and thoroughly, in accordance with the OIA Investigation Procedures Manual, the Uniform Guidelines for Investigations and any Investigation protocols that may be subsequently developed and adopted by OIA.
23. Some investigations may also require the use of external technical expertise which the internal auditors do not possess or where there are potentially significant reputational issues and the investigation must be seen to be fully independent of the internal mechanism. Under such circumstances, the Chairperson of the AU Commission or through the Sub Committee on Audit Matters may appoint external specialists to lead or contribute to the special investigations. In all such cases, Internal Audit will provide administrative support as necessary to the investigators.
24. Notwithstanding above, Internal Audit will not investigate allegations against the Director-Office of Internal Audit or Internal Audit staff. Allegations concerning the Director-OIA or staff Internal Audit staff should be reported to either the Chairperson of AU commission for onward transmission to the Chair of the Sub-Committee on Audit Matters. The allegations will then be investigated by an externally selected panel and the outcome reported to the Chairperson of AU commission for onward transmission to the Chair of the Sub-Committee on Audit Matters.
25. Allegations against elected officials shall be reported to Chair of the Sub-Committee on Audit Matters and investigated by an externally selected panel and the outcome reported to the PRC for onward transmission to the Chair of the Executive Council.

SECTION 10. RETENTION OF INVESTIGATION RECORDS

26. OIA shall retain files of investigations related to projects for 10 years from receiving the complaint and files of investigations related to AU staff for 5 years after the staff member has separated from employment, subject to the staff member attaining an age or there being circumstances that AU would not consider rehiring the staff member;. Contracts related to retained audit and investigative consultants shall be retained for 5 years after the termination of contract whilst correspondence, including interoffice memos and recommendations to management shall also be retained for 5 years.

SECTION 11. EXTERNAL AUDIT

27. Pursuant to AU Financial Rules and Regulations and the Terms of Reference governing External Audit, the External Auditor provides external assurance to AU and its funding partners. The External Auditor is under the obligation to report any cases of fraud or presumptive fraud or wasteful or improper expenditure of AU's money or other assets, thereby contributing to the objectives of this Policy.

SECTION 12. ACTION FOLLOWING BREACH OF POLICY

28. OIA shall recommend that appropriate administrative, legal and/or disciplinary action be taken against any person or entity that is found to have violated this Policy. Any such recommendation shall be included in a Final Report issued to management or the competent authorities, in accordance with the OIA Investigation Procedures Manual, the Uniform Guidelines for Investigations and any Investigation protocols that may be subsequently developed and adopted by OIA.

29. In addition, any reported cases pursuant to this Policy involving criminal activity may be referred to local law enforcement authorities. Any such referral shall be made following consultation with the Legal Counsel and the approval of the Chairperson of AU Commission, and if necessary, after waivers of immunity have been invoked. The Union shall seek recovery of its funds and/or property using all means at its disposal, including through legal action.

SECTION 13. MONITORING AND EVALUATION

30. Following any proven incident of fraud or corruption, the Chairperson of the AU Commission, shall conduct a review of relevant policies, procedures and internal controls in the area where the fraud or corruption occurred to assess whether they need to be revised and what, if any, corrective measures need to be taken.

SECTION 14. TRAINING PROGRAMME

31. The AU Commission shall develop and conduct a training and disclosure programme aimed at: i) increasing awareness of the risks of fraudulent, corrupt and/or collusive practices; and ii) developing skills for understanding, detecting, preventing and reporting such practices. Participation in such programme shall be mandatory for all AU staff members and non-staff employees. In addition, AU shall implement ongoing employee training tailored to specific positions within Union, with the aim of enabling such employees to detect, prevent and promptly report any practices that are contrary to this Policy.

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