

AFRICAN UNION

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**TERMS OF REFERENCE OF
PRC SUB-COMMITTEE ON AUDIT MATTERS**

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1. PREAMBLE

- 1.1. This Sub-Committee Terms of Reference (TOR) was adopted by the Permanent Representatives Committee (PRC) of the African Union (AU) in conformity with Article 21(2) of the Constitutive Act of the African Union, which states that the PRC “*may set up such sub-committees or working groups as it may deem necessary*”.
- 1.2. The Assembly Decision Ref **Assembly/Au/Dec.416(XIX)** of July 2012 which adopted the **African Union Internal Audit Regulations** and the Executive Council Decision Ref. **Ex.Dec.697(XXI)** of July 2012 also required the establishment of such Sub Committee.

2. PURPOSE

The purpose the PRC Sub-Committee on Audit Matters is to assist the PRC and the Executive Council in fulfilling the oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Union’s process for monitoring compliance with laws and regulations and the code of conduct.

3. ROLES OF THE SUB-COMMITTEE

- 3.1. It shall be the responsibility of the PRC Sub-Committee on Audit matters to:
 - Consider the work of all oversight bodies employed and/or appointed by the African Union;
 - Institute investigations as and when necessary.;
 - Seek any information it requires from the African Union employees;
 - Hire the services of outside counsel, experts and other advisors to the sub-committee as it may deem appropriate.
- 3.2. The PRC will ensure that the sub-committee on audit matters has sufficient resources to carry out its duties.

4. COMPOSITION OF COMMITTEE AND SELECTION OF MEMBERS

- 4.1. The sub-committee on audit matters shall consist of not less than five (5) and not more than ten (10) members of the PRC with equal regional representation. The PRC will appoint members of the sub-committee on audit matters and the sub-committee will elect its own chair.

- 4.2. The appointment shall be for two (2) consecutive years and shall not be renewable. Five (5) members of the sub-committee shall be retained at the end of each term.
- 4.3. The Chairperson of the Sub Committee shall serve two (2) years in rotation by the members.
- 4.4. The sub-committee shall have access to the services of at least *one financial expert*, whose name shall be disclosed in the annual report of the Sub Committee. The Sub Committee's financial expert should have:
 - i) An understanding of generally accepted accounting principles and financial statements;
 - ii) Experience in preparing or auditing financial statements of comparable entities;
 - iii) Experience in applying such principles in connection with the accounting for estimates, accruals and reserves;
 - iv) Experience with internal accounting controls and,
 - v) An understanding of sub-committee functions.
- 4.5. In the event of a vacancy arising as a result of death, voluntary resignation, and compulsory retirement or for any other reason, the PRC shall, within two (2) months, appoint a replacement for the unexpired remainder of the term of office.

5. MEETINGS

- 5.1. The sub-committee will meet a minimum of four times a year, with the expectation that additional meetings may be required to adequately fulfill all the duties and responsibilities outlined in the TOR's.
- 5.2. Members of the sub-committee are expected to attend each committee meeting in person, of which any five (5) members of the sub-committee shall constitute a quorum. The sub-committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.
- 5.3. The sub-committee will meet with the Director OIA and the Board of External Auditors at least annually to discuss the financial statements, oversight of management's internal controls, compliance and risk assessment practices of the Union.
- 5.4. Meeting agendas will be prepared for every meeting and provided to the sub-committee members along with briefing materials at least five (5)

business days before the scheduled sub-committee meeting. The sub-committee will act only by unanimous consent or on the affirmative vote of a majority of the members at a meeting.

- 5.5. Minutes of these meetings will be recorded. The sub-committee shall be supported by a dedicated secretariat that will operate with autonomy similar to that of the secretariats of other Advisory Committees with the OIA assuming the role as the Secretariat of the committee.

6. RESPONSIBILITIES

The sub-committee shall have the following responsibilities:

- 6.1. Oversee the implementation of audit recommendations of all oversight operations;
- 6.2. Review and consider the audited annual financial statements as presented by the Board of External Auditors;
- 6.3. Approve the work plan of the OIA, taking into account the work plans of the other oversight bodies;
- 6.4. Review the budget proposal of the OIA taking into account its work plan, and to make recommendations to the PRC;
- 6.5. Advise the PRC on the effectiveness, efficiency and impact of the audit activities and other oversight functions;
- 6.6. Consider any changes to the internal audit regulations;
- 6.7. Ensure that the internal audit function is organizationally independent from authority operations;
- 6.8. Review the performance of the Board of External Auditors;
- 6.9. Consider management's assessment of the effectiveness of the Union's internal controls and consider the report on internal controls by the Board of External Auditors as a part of the financial audit engagement;
- 6.10. Receive quarterly Inspection and Audit Reports containing specific recommendations about required improvements for consideration by the PRC;
- 6.11. Present annually to the PRC a written report of how it has discharged its duties and met its responsibilities as outlined in the TOR's.

6.12. Other Responsibilities of the Sub-Committee

- 6.12.1. Obtain any information and training needed to enhance the sub-committee members' understanding of the role of the Office of Internal Audits and the Board of External Auditors, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- 6.12.2. Review the sub-committee's TOR's annually, reassess its adequacy, and recommend any proposed changes to the PRC. The sub-committee TOR's will be updated as applicable laws, regulations, accounting and auditing standards change.

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Terms of reference of PRC sub-committee on audit matters

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