

AFRICAN UNION
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CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE AFRICAN UNION FOR
THE FINANCIAL YEAR
ENDED 31 DECEMBER 2016

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List of abbreviations

ACALAN	Executive Secretariat of the African Academy of Languages, Bamako, Mali
ACSRT	African Centre for the Study and Research on Terrorism - ALGER, Algeria
AMISOM	African Mission in Somalia
Arab League Mission	African Union Permanent Delegation to the League of Arab States – Cairo, Egypt
AU	African Union
AUC	African Union Commission
AUCIL	African Union Commission on International Law
AUMSAR	African Union Mission to the Southern African Region – Lilongwe, Malawi
CELHTO	Centre d'Etudes Linguistiques et Historiques par Tradition Orale (French: Center for Linguistic & Historical Study of Oral Tradition; Niamey, Niger)
ECOSOCC	Economic, Social and Cultural Council
EU & THE ACP Mission	Permanent Observer Mission of the African Union to the EU & THE ACP – Brussels, Belgium
IBAR	The Inter-African Bureau for Animal Resources (IBAR) - Nairobi, Kenya
IAPSC	Inter-African Photo sanitary Council – Yaoundé, Cameroun
NEPAD	New Partnership for Africa's Development
PANVAC	Pan African Veterinary Centre, Debrezeit, Ethiopia
PAP	Pan African Parliament PRC Permanent Representative Committee
SAFGRAD	Specialized Office for Promotion of Agricultural Research and Development in the Semi-arid Zones of Africa (SAFGRAD)
STRC	Scientific, Technical & Research Commission - Abuja, Nigeria
UN GENEVA	African Union Mission to the United Nations – Geneva, Switzerland
UN NEW YORK	Permanent Observer Mission of the African Union to the United Nations - New York
UNECA	United Nations Economic Commission for Africa

Transmittal statement

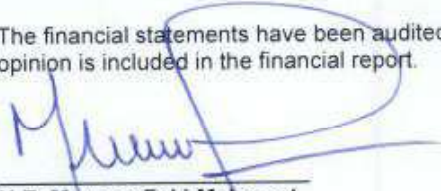
In accordance with the AU Financial Rules and Regulations (FRR), I am pleased to submit the consolidated annual financial statements of the African Union for the financial year ended 31 December 2016. The financial statements have been prepared in compliance with the accrual basis, International Public Sector Accounting Standards (IPSAS) and financial rules and regulations of the African Union.

RESULTS

The surplus for the year of USD 26,559,000 (2015: Deficit of USD 24,550,000) has been added to the general fund.

INDEPENDENT AUDITOR

The financial statements have been audited by the African Union Board of External Auditors and whose opinion is included in the financial report.



H.E. Moussa Faki Mahamat
Chairperson of
African Union Commission

12 October 2017

Statement of management responsibility

Management is responsible for the preparation of financial statements for each financial year which give a true and fair view of the financial position of the Union at the end of the financial year and its financial performance for the year then ended. Management is responsible for ensuring that the Union keeps proper accounting records that are sufficient to show and explain the transactions of the Union; disclose with reasonable accuracy at any time the financial position of the Union; and that enables them to prepare financial statements of the Union that comply with prescribed financial reporting. They are also responsible for safeguarding the assets of the Union and for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Management accepts responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- (ii) Selecting suitable accounting policies and then apply them consistently; and
- (iii) Making judgments and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, management has assessed the Union's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of management to indicate that the Union will not remain a going concern for at least the next twelve months from the date of this statement.

Management acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by Management on 14/08 2017 and signed on its behalf by:



Assietou Sylla Diouf
Financial Controller
AU



H.E. Kwesi Quartey
Deputy Chairperson
AU

**AFRICAN UNION
BOARD OF EXTERNAL AUDITORS**



**REPORT OF THE BOARD OF EXTERNAL AUDITORS ON THE
CONSOLIDATED FINANCIAL STATEMENTS OF THE AFRICAN
UNION**

FOR THE YEAR ENDED 31ST DECEMBER 2016

AUGUST 2017

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List of Acronyms

Throughout this financial report, unless otherwise stated, the abbreviations in the first column have the meanings stated opposite them in the second column. These descriptions and explanations, however, serve to clarify this report and are not intended to be authoritative.

Acronym	Meaning
AU	African Union
AUC	African Union Commission
IPSAS	International Public Sector Accounting Standards
ISAs	International Standards on Auditing
IT	Information Technology
NEPAD	New Partnership for Africa's Development
PAP	Pan African Parliament
PRC	Permanent Representatives' Committee
UN	United Nations
ACHPR	African Commission on Human and Peoples' Rights
AfCHPR	African Court on Human and Peoples' Rights
FRR	Financial Rules and Regulations
AUABC	African Union Advisory Board on Corruption

1.0. INTRODUCTION

1.1. Background

In accordance with Article 76 of the African Union Financial Rules and Regulations (FRRs), the Board of External Auditors is required to audit the accounts of the African Union (African Union Commission (AUC) and AU organs). The audit was conducted in conformity with the International Standards on Auditing.

In addition, Article 78(1) (d) provides for the Board to make observations with respect to the efficiency of the financial management, including the accounting system, the internal controls and, in general, the administration and management of the Organization, especially with regard to "internal liaisons between the various authorities responsible for the framing, preparation and administration of the annual budget".

1.2. Terms of Reference

The Audit was undertaken in accordance with the audit terms of reference stipulated in Article 78 (1) of the African Union Financial Rules and Regulations. Those terms require the AU Board of External Auditors to;

- i. Ensure that the Audit is conducted in conformity with International Standards on Auditing and subject to special directions of the Executive Council;
- ii. Verify the way and manner in which the Accounting Officer and those answerable to him have performed their accounting duties and responsibilities;
- iii. Formulate all proposals likely to increase the efficiency of methods of budgetary and financial management, including accounting systems;
- iv. Examine the accounts and assure itself of the existence and validity of supporting documents provided for by the rules and regulations of the organization;
- v. Carry out an audit of the accounts including trust funds, project funds and special funds;
- vi. Undertake compliance reviews to determine that financial transactions comply with the financial rules and regulations, staff rules and regulations, resolutions of the Executive Council and other administrative instructions issued from time to time;

- vii. Review the operations of the Union and determine as to whether operations and activities were carried out with due regard to Economy, Efficiency, and Effectiveness; and
- viii. Express an opinion on the financial statements.

2.0. REPORTING

In compliance with the Terms of Reference, we have audited the consolidated financial statements of the African Union (AU) which are a consolidation of the accounts of: African Union Commission (AUC); Pan African Parliament (PAP); African Commission on Human and Peoples' Rights (ACHPR); African Court on Human and Peoples' Rights (AfCHPR); African Union Advisory Board on Corruption (AUABC); and New Partnership for Africa's Development (NEPAD). Management letters in regard to the regularity and compliance audit and the Information Technology (IT) review of the SAP accounting system have been issued to respective entities. In those management letters, we have included significant audit issues and made recommendations for consideration by the Commission. This Auditor's Report does not include all issues raised in the management letters. The PRC Sub Committee on audit matters may interest itself in the matters raised in the final management letters.

3.0. REPORT OF THE BOARD OF EXTERNAL AUDIT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AFRICAN UNION FOR THE YEAR ENDED 31ST DECEMBER, 2016

The Chairperson

PRC Sub Committee on Audit Matters,

Report on the Audit of the Consolidated Financial Statements of the African Union for the year ended 31st December, 2016

Opinion

We have audited the consolidated financial statements of the African Union, which comprise the statement of financial position as at 31st December 2016, and the statement of comprehensive income, statement of changes in equity, statement of cash flows, statement of

budget vs. actual comparison for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the African Union as at 31st December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the AU Financial Rules and Regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report;

- **Partner funds**

The AUC receives funds from various development partners to fund specific programmes under the main AU pillars. Funds from these partners are recognized as a current liability in the balance sheet (unexpended partner funds), and only recognized as revenue in the income statement upon expending the partner funds in accordance with the agreed conditions in the funding agreements. In a case where pre-financing is permitted under the funding

agreement, owing funds from the partner(s) at the end of the reporting period is recognized as partner funds receivable (**Note 22**).

We reviewed funding agreements and identified the requisite conditions therein which we summarised and tested for fulfilment for all partner funds recognised as revenue in the financial statements. The related expenditure payments were sampled and examined to determine whether they were incurred in the fulfilment of the conditions stated in the agreements and whether the transactions complied with the requirements of IPSAS 23 (deferred revenue).

Funds received from the partners were traced to the bank statements and tested to confirm that they were correctly translated to United States Dollars. Adjustments made to the partner funds accounts were also tested and no significant deficiencies were noted.

Where some partners requested for separate banks accounts for specific projects, we ensured that bank accounts were reconciled to the liability; no findings were noted. However with regard to shared bank accounts, no reconciliations were performed.

Where projects were completed, tests were performed to assess whether the unspent funds, were returned to the Partners and the accounts closed. It was noted that in some projects, there were delays in conducting closure audits despite the fact that the projects had been completed, thus leaving a sum of USD.20,490,741 outstanding on the Partners accounts. There were also instances where unspent funds were supposed to be returned to Partners (USD.20,687,508), this implied that not all project planned activities were implemented.

With regard to performance of projects, there are concerns that projects are not completed within the agreed upon time frames, resulting in funds being rolled over year after year and little progress made on some projects. In some instances, partners have ceased their funding, terminating the projects and requested refunds.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters disclosed in the financial statements that, in our judgement, are of such importance and fundamental to users' understanding of the financial statements;

- **Property Plant and Equipment**

The African Union Commission invoked transitional provisions of IPSAS 17: Property Plant and Equipment in paragraphs 95 and 96 that allow entities five (5) years of transitional period to be fully compliant with the standard following the date of first adoption of IPSAS. The AU adopted IPSAS in 2014 and continues to benefit from this measure till 2018.

In accordance with the transitional provision, the AUC did not recognize assets in the balance sheet that are in the process of being valued by experts. These include: the new building at Headquarters donated by Germany Government, all of the assets in Algiers donated by the Algerian Government, and the office assets at the DRC liaison office. In addition, the land and building in Brussels have not been classified under their respective categories of land and buildings. Although management has disclosed the information in the financial statements, no roadmap has been drawn to indicate how management has planned to come out of the transition period. This same issue was raised in our previous audit report.

In addition, the Pan African Parliament (PAP) had some assets that have not been recognised and cannot be specified due to the significant internal control deficiencies in relation to asset management.

We further noted that African Commission on Human and Peoples' Rights (ACHPR) did not have an inventory of its property, plant and equipment as required by good management practices. It has not, like all other AU organs, revalued its fixed assets with zero net book value, in accordance with IPSAS 17, although they still provide economic benefits and potential service. Similarly, African Court on Human and Peoples' Rights (AfCHPR) had 4 vehicles and 2 energy generators with a book value of USD.1, which were still generating economic value to the entity.

We again noted that the African Union Advisory Board on Corruption also invoked the IPSAS 17 Property, Plant and Equipment transitional provision and has not revalued all its property, plant and equipment but disclosed the matter.

Generally, the valuation and revaluation of assets in the AUC and the Organs of the AU still possess great accounting challenges which need to be addressed for proper accounting in accordance with IPSAS.

- **Old outstanding items that will be presented for write off to the PRC**

AUC performed an analysis of old outstanding balances in various financial line items amounting to a net write-off of USD.4,358,949 (**Note 46, refers**). These balances have been deemed unrecoverable; however, due to the absence of applicable regulations on provision and write-offs, the balances have not been written off awaiting approval by the PRC.

- **Voluntary Contributions - Revenue not budgeted by NEPAD**

It was noted that USD.2,172,749 received by NEPAD as revenue from member states voluntary contribution was not budgeted for. This fact constitutes a violation of Article 20(2) of the African Union Financial Rules and Regulations (Voluntary Contributions, Gifts and Donations), which states that "Collection of all direct or indirect contributions not authorized by the Executive Council, in whatever form or denomination, shall be prohibited.

- **Contribution in kind by host Governments**

IPSAS 23 (Revenue from non-exchange transactions-Transfers), requires receiving entities to recognize such transfers as either assets, liabilities or revenue provided the claim is enforceable, and the entity assesses that it is probable that the inflow of resources will occur. It was noted that The African Commission on Human and Peoples' Rights (ACHPR) did not record in its accounting records the Gambian Government's contribution in kind regarding the building which houses the ACHPR headquarters. Article II (1.a) of the host country agreement between the Gambia Government and the AU (previously OAU) stipulates that the host government shall provide suitable headquarters for ACHPR at no rental cost. ACHPR should therefore fairly estimate the annual rent and recognise it as an expense (rent) and as revenue (contribution in kind).

Relatedly, the Pan African Parliament (PAP) has also not recognized the contribution in kind in regard to the rental costs incurred by the Government of South Africa towards the building housing PAP, and the contribution made in regard to the motor vehicles used by the Parliament.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IPSAS and AU Financial Rules and Regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the African Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the AU or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the AU's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We are also required to;

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures

responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to deliver its mandate. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to fail to deliver its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current

period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



John F.S. Muwanga

Chairperson, AU Board of External Auditors
ADDIS ABABA
15th August 2017

FINANCIAL STATEMENTS DISCUSSION, ANALYSIS AND EXPLANATORY NOTES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. OVERVIEW OF THE AFRICAN UNION

1.1. Reporting Entity

The African Union consists of 54 African member states as at 31 December 2016. It was established on 26 May 2001 and launched on 9 July 2002 and is charged with spearheading Africa's rapid integration, prosperity and sustainable development by promoting political and economic unity, solidarity, cohesion and cooperation among the people of the Africa and African states, as well as developing partnership worldwide. The Inception of the AU marked a significant chapter in the history of the continent in that its vision and objectives focused very much on "people centered development" and a transformative agenda. The AU vision is to build an integrated, prosperous and peaceful Africa. An Africa that is driven and managed by its own citizen and representing a dynamic force in the international arena. The Objectives of the Union among others are to:

- Accelerate the political and socio-economic integration of the continent;
- Promote peace and security and stability on the continent
- Promote democratic principles and institutions, popular participation and good governance;
- Promote sustainable development at the economic, social and cultural level;
- To work with relevant international partners in the eradication of preventable diseases and the promotion of good health on the continent; and
- Coordinate and harmonize the policies between the existing and future Regional Economic Communities for the gradual attainment of the objective of the Union.

The above objectives are guided by principles of the Constitutive Act, including the principle of gender equality and people centered values.

African Union is made up of both political and administrative bodies. The highest decision making organ is the Assembly of the African Union made up of all the head of states or government of member states of the African Union. African Union has a representative body called the Pan African Parliament which consists of 265 members elected by the national legislatures of the African Union member states.

Other political institutions of the African Union include:

- The Executive Council made up of foreign ministers of African Union member states; which prepares decision for the Assembly;
- The Permanent Representative Committee, made up of the ambassadors to Addis Ababa of African Union member states;
- The Economic, Social and Cultural Council (ECOSOCC), a civil society consultative body; and
- Peace and Security Council, Has 15 members elected on a regional basis by the Assembly to prevent, manage and resolve conflicts, as well as post conflict peace building and developing common defense policies.

Regional and continental bodies such as RECs and the African Union have an important facilitating role especially with respect to:

- Policy and strategy setting;
- Coordination and catalyzing socio economic and integration agenda;
- Consensus building and advocacy;
- Experience and information sharing and
- Setting the framework and putting in place the enabling conditions necessary for peace, security, political stability and growth.

The African Union has over time adopted a number of important documents establishing norms at continent level, to supplement those already in force during its inception. These documents include, "The African Union Convention on Preventing and Combating Corruption (2003)", The African Charter on Democracy, Elections and Governance (2007), and the New Partnership for Africa's Development (NEPAD). The 1980 Lagos Plan of Action for the Development of Africa and the 1991 treaty to establish

the African Economic Community (also referred to the Abuja Treaty), proposed the creation of Regional Economic Communities (RECs) as a basis for African Integration, with timetable for regional and subsequent continental integration. Listed below are the current Regional Economic Communities:

- Community of Sahel-Saharan States (CEN-SAD)
- Common Market for Eastern and Southern Africa (COMESA)
- East African Community (EAC)
- Economic Community of Central African States (ECCAS)
- Economic Community of West African States (ECOWAS)
- Intergovernmental Authority on Development (IGAD)
- Southern African Development Community (SADC)
- Arab Maghreb Union (AMU)

1.2. African Union Commission

The African Union Commission is the Secretariat to the political structures of the African Union. It is headed by the newly elected chairman H.E. Moussa Faki Mahamat from Chad who replaced the outgoing chairperson Nkosazana Dlamini Zuma from South Africa.

The Commission's functions, as set out in article 3 of the Commission Statutes, include:

- Representing the AU and defending its interests under the guidance of and as mandated by the Assembly and Executive Council;
- Initiating proposals to be submitted to the AU's organs as well as implementing decisions taken by them;
- Acting as the custodian of the AU Constitutive Act and all other OAU/AU legal instruments;
- Liaising closely with the AU organs to guide, support and monitor the AU's performance to ensure conformity and harmony with agreed policies, strategies, programmes and projects;
- Providing operational support for all AU organs;
- Assisting Member States in implementing the AU's programmes;
- Drafting AU common positions and coordinating Member States' actions in international negotiations;
- Managing the AU budget and resources;
- Elaborating, promoting, coordinating and harmonizing the AU's programmes and policies with those of the Regional Economic Communities (RECs);
- Ensuring gender mainstreaming in all AU programmes and activities; and
- Taking action, as delegated by the Assembly and Executive Council.

1.2.1 Structure of African Union Commission

The Commission is composed of the chairperson, deputy chairperson and eight commissioners, plus staff (Constitutive Act, article 20; Commission Statutes, article 2). The Assembly elects the Chairperson and Deputy Chairperson. The Executive Council elects the Commissioners, who are appointed by the Assembly. The term of office for the elected Commission members' is four years, renewable once (Commission Statutes, article 10).

The regions from which the Chairperson and Deputy Chairperson are appointed are entitled to one commissioner each. All other regions are entitled to two commissioners. At least one commissioner from each region shall be a woman. Voting for each portfolio is by a series of ballots if required and a two-thirds majority. Appointments are declared during the Assembly Summit following the Executive Council elections.

The Commissioners support the Chairperson in running the Commission and have the responsibility to implement all decisions, policies and programmes relating to their portfolios (Commission Statutes, article 11). The eight portfolios are set out in the Commission Statutes (article 12).

Elections for Commissioners whose terms of office expired in July 2016 were postponed until January 2017 (Assembly/AU/Dec.610(XXVII)) and current Commissioner have now been appointed.

The former and the newly appointed Commissioners are tabulated below:

Chairperson	H.E. Moussa Faki Mahamat, Chad, 2017–(elected January 2017) Dr Nkosazana Dlamini Zuma, South Africa, until March 2017
Deputy Chairperson	H.E. Quartey Thomas Kwesi, Ghana, 2017–(current) Mr. Erastus Mwencha, until March 2017
Commissioner for Peace and Security	Amb Smail Chergui, Algeria (re-elected in January 2017)
Commissioner for Political Affairs	H.E. Cessouma Minata Samate, Burkina Faso (elected in January 2017) Dr. Aisha L. Abdullahi, until March 2017
Commissioner for Infrastructure and Energy	H.E. Amani Abou-Zeid, Egypt (elected in January 2017) Dr. Elham M.A. Ibrahim, until March 2017
Commissioner for Social Affairs:	H.E. Amira El Fadil, Sudan (elected in January 2017) Dr. Mustapha Sidiki Kaloko, until March 2017
Commissioner for Trade and Industry:	H.E. Albert M. Muchanga, Zambia (elected in January 2017) Mrs Fatima Haram Acyl, until March 2017
Commissioner for Rural Economy and Agriculture:	H.E Sacko Josefa Leonel Correa, Angola (elected in January 2017) Mrs. Rhoda Peace Tumusiime, until March 2017
Commissioner for Human Resources, Science and Technology	Martial De-Paul Ikounga, Congo (elected in January 2013)
Commissioner for Economic Affairs:	Anthony Mothae Maruping, Lesotho (elected in January 2013)

The positions of the commissioners for Human Resources, Science and Technology and Economic Affairs will be appointed during the Twenty-Ninth Ordinary Session of the Assembly in July 2017 in accordance with Article 16 (6) of the Statute of the Commission of the African Union.

1.3. Legal basis and scope of the financial statements

The financial statements of the African Union have been prepared and submitted in line with the Financial Rules and Regulations of the African Union that were adopted by the Assembly of Heads of States of the African Union on 21-28 January 2014 in Addis Ababa, Ethiopia (EX.CL/802 (XXIV)). These financial statements cover the accounts and transactions of the African Union Commission Headquarters in Addis Ababa, Ethiopia and those of the following Regional/Representational Offices and organs listed below:

Permanent Representation

Name	Headquarter
1. Permanent Delegation to the League of Arab States	Cairo, Egypt
2. African Union Southern Africa Region Office	Lilongwe, Malawi
3. Permanent Mission to the European Union (EU) and African, Caribbean and Pacific (ACP) states	Brussels, Belgium
4. AU Permanent Representative to the United Nations and World Trade Organization	Geneva, Switzerland
5. AU Permanent Representative to the United States, Washington DC	United States of America
6. AU Permanent Observer to the United Nations, New York	United States of America

Specialized & Regional Offices

	Name	Headquarter	Abbreviation
1.	Scientific, Technical and Research Commission	Abuja – Nigeria	STRC
2.	African Observatory of Science, Technology and Innovation	Malabo – Equatorial Guinea	AOSTI
3.	African Energy Commission	Algiers – Algeria	AFREC
4.	Inter-African Bureau for Animal Resources	Nairobi – Kenya	IBAR
5.	Inter-African Phytosanitary Council	Yaoundé – Cameroon	IAPSC
6.	Semi-Arid Food Grain Research and Development	Ouagadougou – Burkina Faso	SAFGRAD
7.	African Union International Centre for the Education of Girls and Women in Africa	Ouagadougou – Burkina Faso	AUCIEFFA
8.	Pan African Veterinary Vaccine Centre	Debrezeit – Ethiopia	PANVAC
9.	Africa Centre for Disease Control and Prevention, Addis Ababa	Addis Ababa – Ethiopia	ACDC
10.	Pan African Institute for Education for Development	Kinshasa- Congo	IPED
11.	Centre for Linguistic and Historical Studies by Oral Tradition	Niamey - Niger	CELTHO
12.	African Academy of Languages	Bamako – Mali	ACALAN
13.	African Centre for the Study and Research on Terrorism	Algiers - Algeria	ACSRT
14.	International Coordination Bureau for the Management Of Fouta Djallon Mountains	Conakry-Guinea	AUBCI-FDH

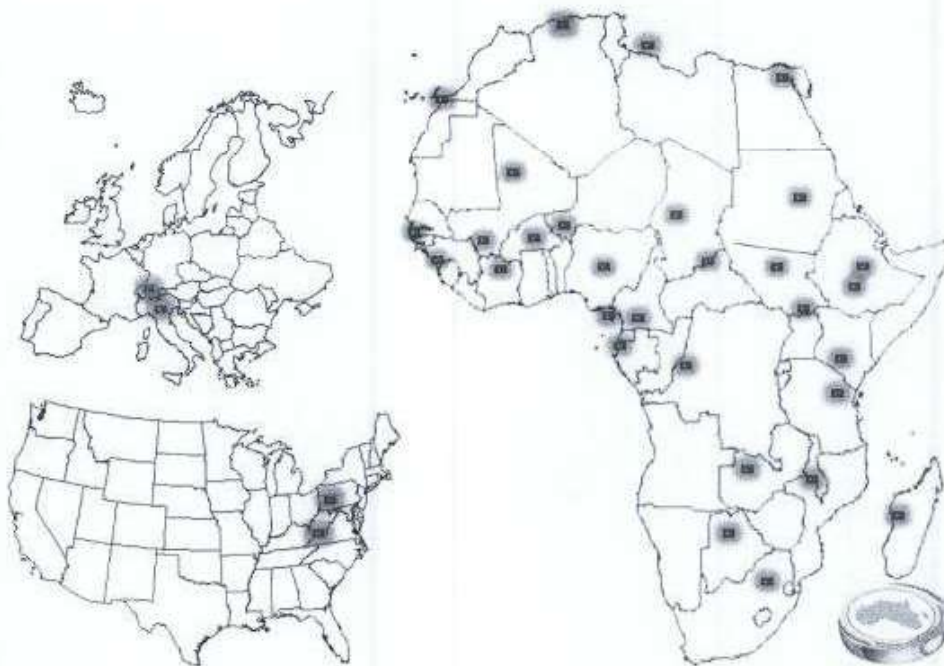
Special Representative and Liaison Offices (Peace & Security)

	Name	Headquarter
1.	African Union Mission	Bujumbura – Burundi
2.	African Union Liaison Office	Bangui- Central African Republic
3.	African Union Liaison Office	Moroni – Comoros
4.	African Union Liaison Office	Abidjan - Côte d'Ivoire
5.	African Union Liaison Office	Bissau - Guinea Bissau
6.	African Union Liaison Office	Kinshasa - DR Congo
7.	African Union Liaison Office	Monrovia – Liberia
8.	African Union Liaison Office to Libya	Tunis – Tunisia
9.	African Union/Southern African Development Community (SADC) Liaison Office	Antananarivo – Madagascar
10.	African Union Mission for Mali and Sahel (MISAHEL)	Bamako – Mali
11.	African Union Liaison Office	N'Djamena – Chad
12.	African Union Mission in Somalia (AMISOM)	Mogadishu – Somalia
13.	African Union Liaison Office	Juba - South Sudan
14.	African Union Liaison Office	Khartoum - Sudan

Organs

Name	Headquarter	Abbreviation
1. Pan African Parliament	South Africa	PAP
2. New Partnership for Africa Development (NEPAD)	Midrand, South Africa	NEPAD
3. African Commission on Human and Peoples' Rights	Banjul, Gambia	ACHPR
4. African Court on Human and Peoples' Rights	Arusha, Tanzania	AfCHPR
5. African Union Advisory Board on Corruption (AUABC)	Arusha, Tanzania	AUABC

The Union representative and autonomous offices mentioned above have been represented in the map below



1.4. Financial reporting and accountability

The Chairperson of the Commission is the Chief Executive Officer, legal representative of the AU and the Commission's Accounting Officer (Commission Statutes, article 7). The Chairperson is directly responsible to the Executive Council for the discharge of his/her duties.

This role is delegated to The Deputy Chairperson, who assists the Chairperson in the execution of his or her functions and ensures the smooth running of the Commission in relation to administrative and financial issues. The Deputy acts as the Chairperson in her/his absence.

Financial reporting and accountability role is delegated to the Accounting Officer who is responsible for the administration and enforcement of the Union's Financial Rules and Regulations (FRR). This role may be delegated to the controlling Officers and where applicable competent authorities of the Union as may be deemed appropriate.

Often, this role is delegated to the Directorate of Programming, Budget, Finance and Accounting (PBFA). The role of the Directorate of PBFA is to administer and ensure compliance with the Union's FRR, as well as budgetary and accounting policies and procedures for the smooth running of programs.

At the end of each financial year, the Accounting Officer, through the delegated personnel, prepares the annual financial statements of the Union which provide financial information on the activities of the AUC comprising of the liaison offices, regional and specialized offices and organs from an accrual accounting and budgetary perspective. The financial statements are prepared in accordance with the Union's FRR and in accordance with Accrual IPSAS.

1.5. Budgeting Process

The AUC's Directorate of PBFA prepares the budget annually for financial years starting 1 January and ending 31 December. The Chairperson of the Commission acts as Chief Accounting Officer to the AU. The budget and related matters are considered by the Permanent Representatives Committee (PRC) and its relevant sub-committees, and recommendations are made to the Assembly through the Executive Council.

The 2016 estimated budget was USD 416,867,326 (excluding the AU Mission in Somalia (AMISOM) budget). Of the USD 416,867,326, USD 150,503,875 was allocated for operating costs and USD 266,363,451 for programmes. A total of USD 169,833,340 was assessed to Member States and USD 247,033,986 was to be sourced from international partners (Assembly/AU/Dec. 577(XXV)), leaving a funding gap in the programme budget of USD 149,266,824. The AUC was authorized to solicit an additional USD 70,552,314 from programme partners.

The AU priorities for 2016 included

- i) Integrated High Speed Train Network
- ii) Unification of African Air transport
- iii) An African Virtual and E-University
- iv) Formulation of a Commodities Strategy
- v) Establishment of an annual African forum
- vi) Establishment of the Continental Free Trade Area by 2017
- vii) The African Passport and free movement of people
- viii) Implementation of the Grand Inga Dam Project
- ix) The Pan-African E-Network

The above priorities were aimed at achieving the following outcomes:

- Peace and stability, good governance, democracy and human rights as foundations for development and stable societies promoted;
- Policies and institutions for sustainable development, increased agricultural production, food and nutrition security, expanded value addition and market access, and sound environmental and natural resource management implemented;
- Infrastructure development and environment for inclusive economic development, industrialization, private sector-led intra-African Trade and sustainable utilization of natural resources created;
- Policies and Programmes to enhance health, education and employable skills underpinned by investment in services, science, research and innovation implemented by Member States;
- Strategies for resource mobilization, including alternative and additional sources of funding, to enable Africa to finance its programmes and development in place;
- An AU that communicates with and engages Member States/Stakeholders in defining and implementing the African Agenda; and
- Institutional capacities of the AUC improved, and relations with RECs, AU Organs and with strategic and other partners strengthened.

In July 2016, the Executive Council approved a total budget for 2017 of USD 782,108,049, of which USD 488,525,786 is for operating costs and USD 293,582,263 for programmes. A total of USD 205,149,538 is

assessed to Member States and USD 576,958,511 to be raised from international partners (EX.CL/Dec.919 (XXIX)).

Decision on financing of the African Union

In July, 2016 at a Retreat on Financing of the Union held in Kigali, the Heads of State and Government adopted the decision Assembly/AU/Dec.605 (XXVII) to implement a 0.2% levy on eligible imports for all member states to finance the Union from January 2017. The purpose of the decision is to:

- I. Provide reliable and predictable funding for continental peace and security through the Peace Fund;
- II. Provide an equitable and predictable source of financing for the Union;
- III. Reduce dependency on partner funds for implementation of continental development and integration programs; and
- IV. Relieve the pressure on national treasuries with respect to meeting national obligations for payment of assessed contributions of the Union.

Source of funding of the African Union

The African Union is mainly financed by statutory contributions by the member states, voluntary contributions from development partners, income earned from commercial activities that may be undertaken and other miscellaneous income

Member states contribution

The African Union is mainly financed by the member states through annual statutory contributions made in accordance with the scale of assessment approved by the Executive Council.

Assembly decision 605(XXVII) of 17 to 18 July 2016 included:

- Reaffirming decision 578(XXV) of June 2015, which included targets for Member States to finance 100 percent of the AU operational budget, 75 percent of the programme budget and 25 percent of the peace support operations budget, phased in over five years from January 2016
- Instituting and implementing a 0.2 percent levy on all eligible imported goods into the continent to finance the AU operational, programme and peace support operations budgets starting from 2017; and
- Endowing the Peace Fund with USD 325 million from the levy in 2017, rising to USD 400 million in 2020.

Development partners

The African Union Commission has continued to fund much of its program budget through the support from development partners. This is through voluntary contributions, gifts and donations both in cash and in kind.

Other income

This constitutes income earned from commercial activities undertaken by the Union, fees earned from services rendered by the Union, revenue from investments, loans and advances and revenue of any other source not described above.

Future outlook

As Mentioned above the AU Assembly approved the budget for 2017 amounting to USD 782,108,049 under the theme '*Harnessing Demographic dividend through investment in the Youth*'. With this budget, the Union committed itself to achieve the following selected result areas as bridging interventions for 2018. This is in addition to the implementation of Agenda 2063 priorities listed below:

- a) Promote the empowering of the youth with the required skills to reduce the high levels of unemployment among the youths and also promoting children's rights and early childhood education;
- b) Continue to support, coordinate and facilitate the implementation of the Programme for Infrastructure Development in Africa (PIDA);

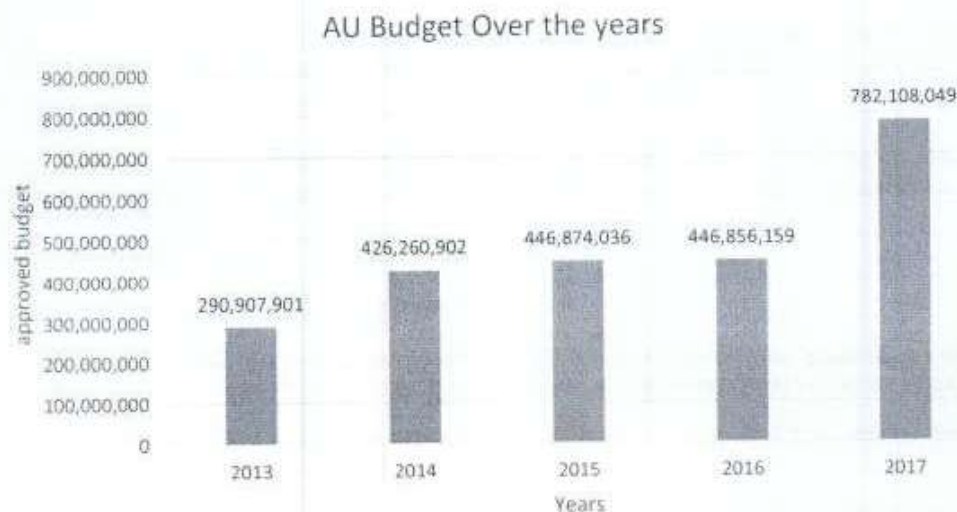
- c) Support Member States to implement CAADP priority programs including animal resources as an instrument to boost agricultural production and productivity for food security and nutrition, and reducing poverty;
- d) Implementation of the five year action plan signed with China for the Integrated High Speed Train Network that will connect all African capitals and commercial centers in order to facilitate movement of goods, factor services and people, reduce transport costs and relieve congestion of current and future systems;
- e) Continue to mainstream gender in all AU programs and institutions;
- f) Implementation of the APSA road map in order to work towards silencing the guns by 2020 through enhancing mechanisms for ending all violent conflicts, including gender based violence and and prevent genocide, and promoting a culture of peace in the Continent.
- g) Finalize negotiations on the elimination of Non-Tariff Barriers (NTB) in order to significantly accelerate growth of Intra-Africa trade and use trade more effectively as an engine of growth and sustainable development, through doubling of intra-Africa trade by 2022, as well as strengthening Africa's common voice and policy space in global trade negotiations and establish the financial institutions within agreed upon timeframes;
- h) Adoption of the commodities Strategies and an implementation framework to enable African countries add value, extract higher rents from their commodities, integrate into the Global Value chains, and promote vertical and horizontal diversification anchored in value addition and local content development; and
- i) Continue to support the optimal development of the Inga Dam to generate 43,200 MW of power with the first phase to generate 4,800 MW and 7,800 MW at low and high head dams, respectively.

Budget trends

The AU budget has been growing over the years. This growth in the budget has been due to the expanded scope of work of the Union mainly from implementation of the Assembly decisions and the subsequent need to implement the First Ten Year Plan of Agenda 2063. The significant increase between the 2016 and 2017 budget is attributed to the inclusion of the peace support operations budget in the AU budget

The graph below shows the budget trend of the Union over 5 years:

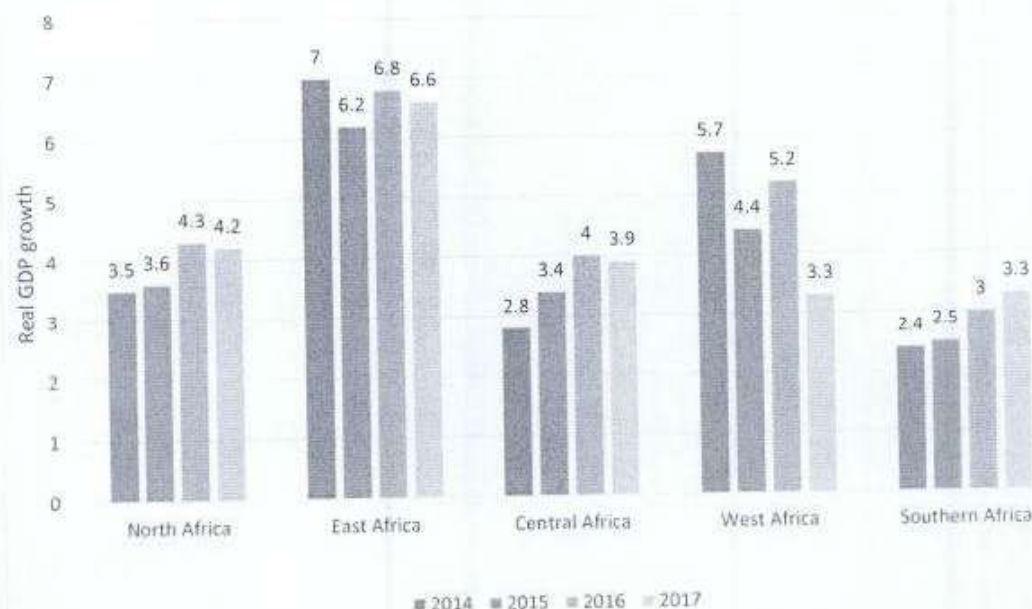
Figure 1: AU budget trend between 2013 and 2017



such there is need to transform the continent though industrialization. Low commodity prices and increasing protectionism have not helped Africa's growth.

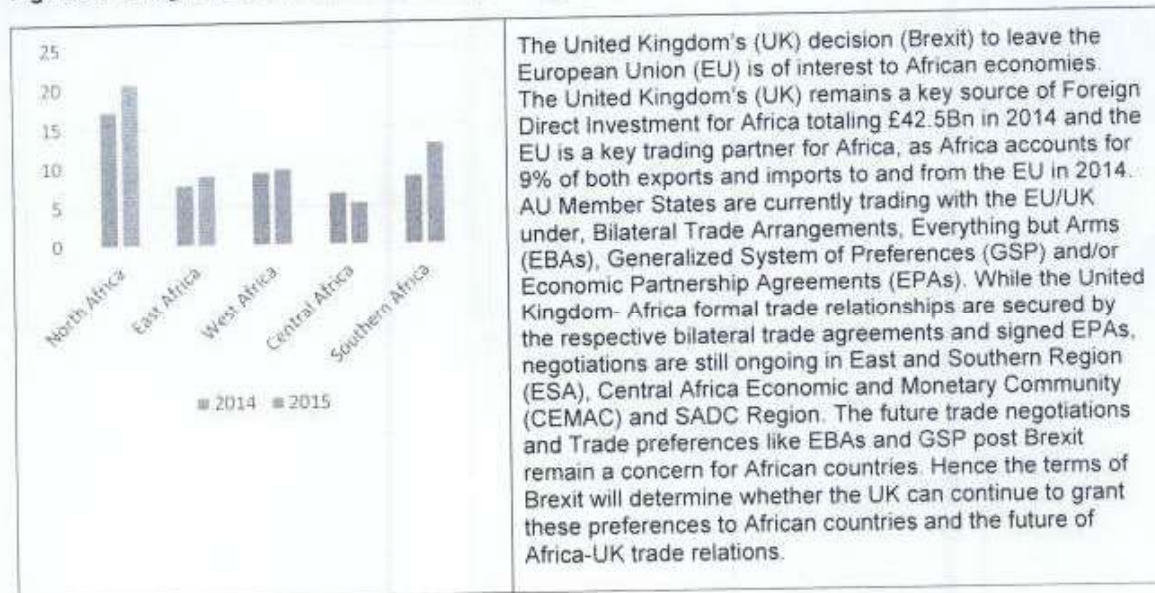
On the other hand, Africa's growth is expected to be led by strong domestic demand and investment ties within Africa and between Africa and the emerging economies, and the recovery of traditional exports markets, particularly in the Euro area, will help to lift this outlook.

Figure 2: Africa's Growth Prospects by AU Region, 2014 - 2017



Source: Economic Report on Africa 2016 - UNECA

Figure 3: Foreign Direct Investment in Africa per Region



Source: IMF report 2015

Africa's external financial flows have remained stable overall. This is despite falling commodity prices, especially oil. The estimated USD 208.3 billion of external finance i.e. foreign investment, trade, aid, remittances and other sources that Africa attracted in 2015 was 1.8% lower than the previous year. The total sum is projected to rise again to USD 226.5 billion in 2016. Falling commodity prices, particularly for oil and metals, were one of the key causes for the 2015 fall. There is need to stabilize foreign inflows in order for the continent to achieve development through African Union Agenda 2063.

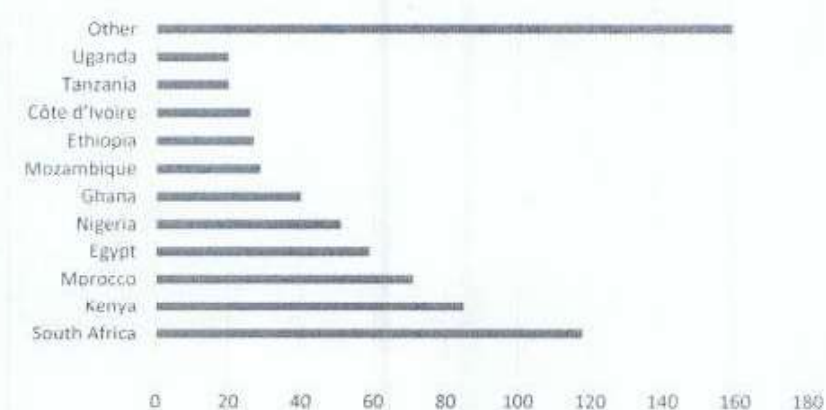
Remittances continue to be the major source of financing in Africa reaching USD 64 billion in 2015. This is higher than the entire Official Development Assistance budget for 2015 of USD 57 billion. However, this flow to Africa may also be affected with Brexit. The UK is the fourth largest source of remittances to Africa accounting for flows of USD5.2 billion. With the pound sterling continuing to lose value this could result in a drop of remittances to Africa.

Sovereign bonds have emerged as active financing channels for most African Member States. Between 2013 and 2015 African countries issued USD18 billion in dollar dominated Eurobonds. This was more than triple the amount issued in the preceding three years combined. However, the borrowing cost for African Union Member States has been increasing over the years with perceived market risks, such as the commodity price risk and to minor extent the Brexit.

Foreign Direct Investment (FDI) to Africa reached USD54 billion in 2016 out of total global FDI of USD1.8 trillion, nearly double its 2005 total of USD29 billion. According to the Africa Investment Report, 2016; in total, 495 companies invested in Africa in 2015, compared to 469 in 2014. Equity Bank and UAE Exchange Centre were the top investors by number of projects in 2015. Equity Bank invested USD225m and opened 10 branches in Africa while UAE Exchange Centre opened 10 branches in Africa in 2015.

The North African Region continues to enjoy the highest FDIs in Africa as investment increased by 20% from USD17.2 billion in 2014 to USD 20.7 billion in 2015. East Africa has seen higher FDI since 2010. In 2015, investment rose by 16% to USD8.9 billion from USD7.7 billion the previous year. For West Africa investment increased from USD9.3 billion to USD9.7 billion. Central Africa saw a decline from USD6.6 billion in 2014 to USD5.4 billion. Southern Africa received USD12.9 billion of FDI in 2015 against USD8.7 billion in 2014. Figure 2 below provides an illustration of investment per region of AU.

Figure 4: FDI into Africa by Project Numbers in 2015



Source: FDI markets

The table below shows FDI per country per market share

Table 1: FDI into Africa by Capital Investment – 2015

Egypt	14.5	-19%	22%
Nigeria	8.6	-20%	13%
Mozambique	5.1	-42%	8%
South Africa	4.7	33%	7%
Morocco	4.5	-13%	7%
Côte d'Ivoire	3.5	612%	5%
Angola	2.7	-83%	4%
Kenya	2.4	8%	4%
Senegal	1.9	473%	3%
Cameroon	1.8	829%	3%
Other	16.7	-24%	25%

Source: Africa Investment Report 2016

Manufacturing has increased across Africa at an average of 5 percent per year between 2011 and 2015, in line with the continent's drive to industrialize. Its output has reached USD500 billion in 2015, and this is projected to reach USD930 billion by 2025 (McKinsey, September 2016) if Member States take decisive action to create an improved environment for manufacturing. About 75% of the projected output could come from Africa based companies meeting domestic demand. If this happens it could create up to 14 million stable jobs over the next decade.

Africa is right at the start of its growth curve for transformational use of communication technologies. The continent has exciting opportunities, particularly with mobile phones applications and the information they deliver. ICT is key to improving the lives of Africans and driving entrepreneurship, innovation and economic growth throughout the continent. With over 540 million users in Africa, the continent has one of the fastest growing mobile phone markets in the world. Africa therefore needs to focus on ICT to improve agriculture, climate change adaptation, education, financial services, health, local ICT, modernizing governments and trade and regional integration. Yet, more needs to be done to ensure that all Africans are able to benefit from ICT's. The lack of infrastructure is a real challenge throughout the continent and in that regard African governments are encouraged to focus on this issue and create an ICT ecosystem, which can reach the less connected rural areas.

Risks and uncertainties.

The African continent is exposed to various challenges such as political instability, economic difficulties, and natural calamities like drought, amongst others.

As part of its mandate the African Union institutions and bodies mobilize resources to find rapid solutions to such challenges.

1.7. Over view of the major financial statement lines items in the consolidated financial statements of the African Union

a) Revenue:

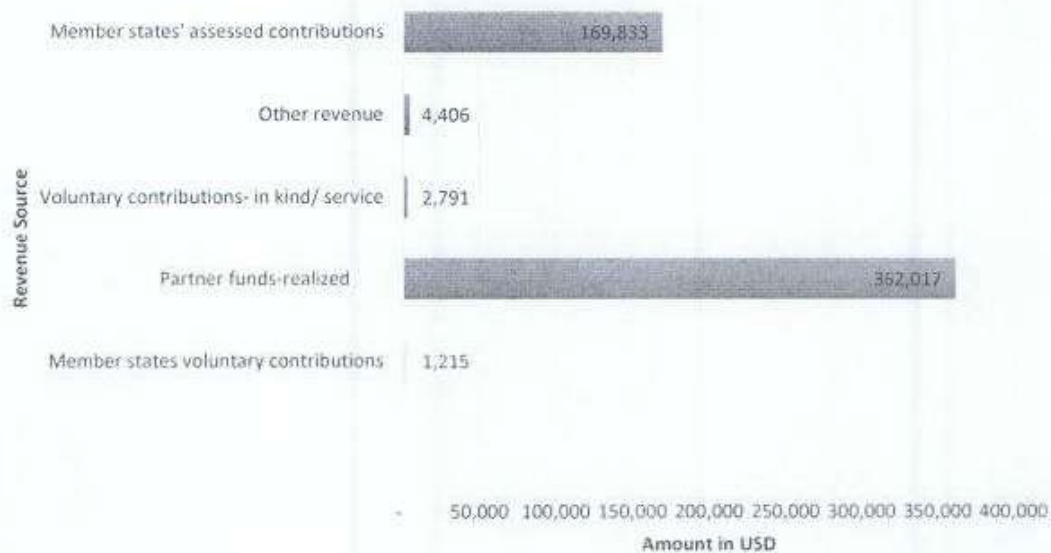
For the Union to further its objectives it requires sustainable inflows in term of revenue. Currently the Commission has four main sources of revenue namely:

- Member states assessed contribution

- Partner fund-realized
- Voluntary contribution in cash, kind/ service
- Other revenue

Member states assessed contribution and partner fund make up the largest contribution of revenue source of African Union, each contributing 31% and 67% of the total revenue for the year respectively as illustrated in the graph below:

Revenue Source (USD'000)

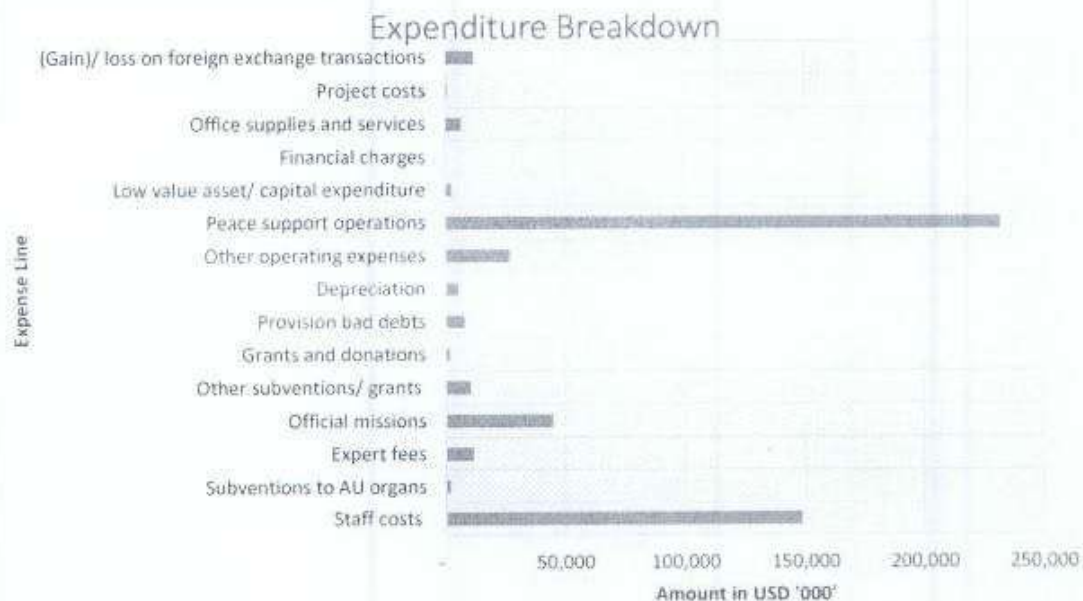


b) Expenses:

The total expenditure for the year was USD 513.7 million compared to prior year of USD 619.3 million.

The main expense lines were: peace support operations, staff cost, official missions and foreign exchange loss.

Peace support operations, staff cost and official mission make up 83% of the total expenses. Peace support operation on its own makes up 45% of the total expenses.



c) Assets:

The most significant asset of the Union is the property plant and equipment which make up 41% of the total assets.

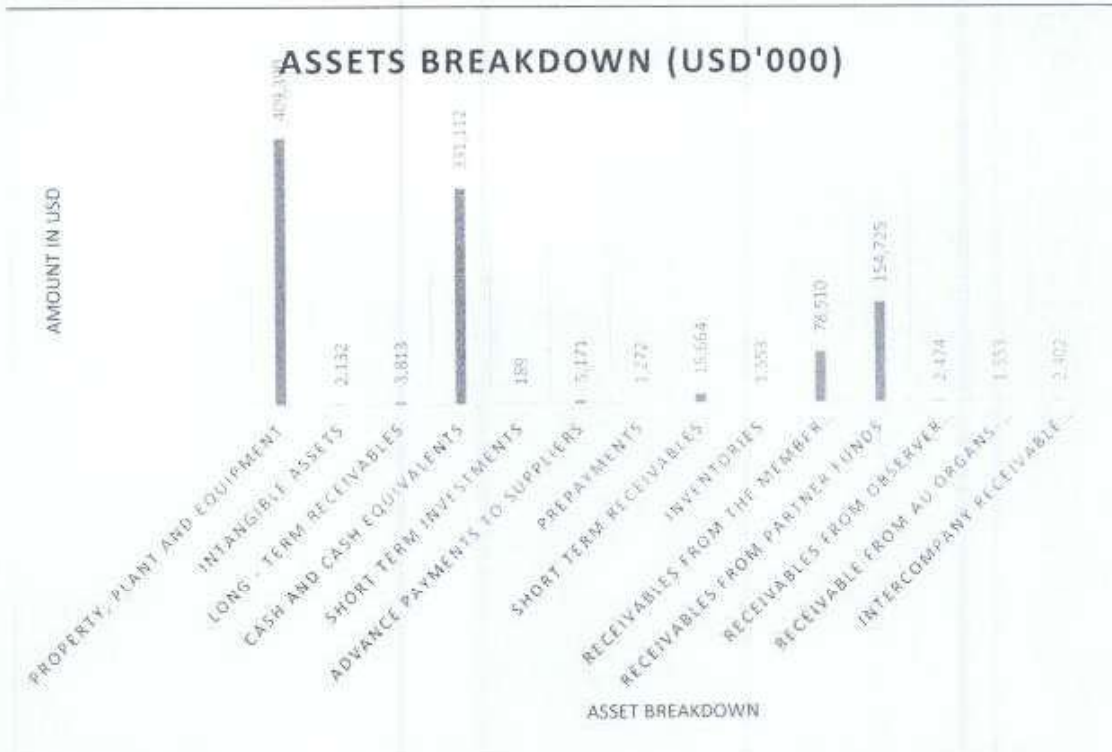
Cash and bank balances make up 33% of the total assets while partners funds receivable makes up 15% of the assets.

a) Property plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is attributable to the acquisition, construction or transfer of the asset. Land and work of art are not depreciated as they are deemed to have an indefinite useful life. Asset under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using straight line method.

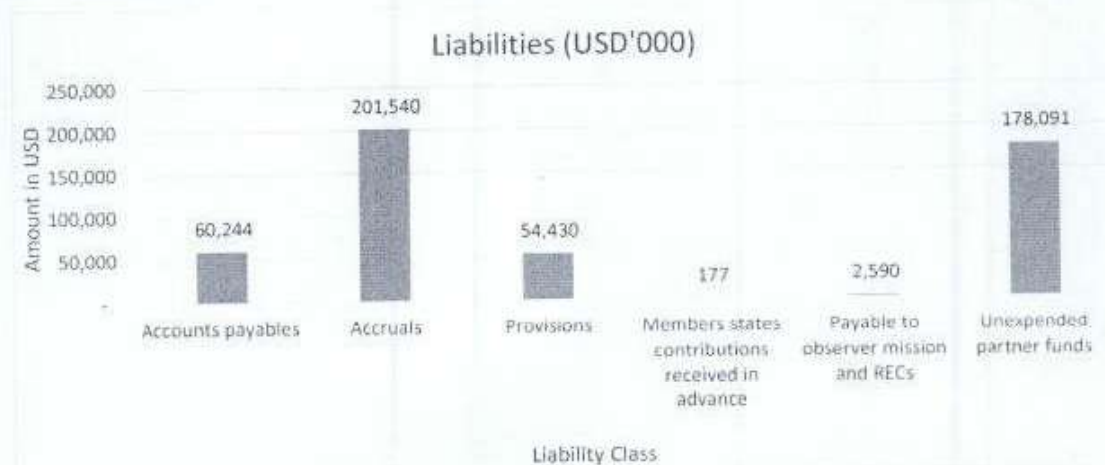
b) Financial assets

Most of the financial asset for African Union Commission is cash and bank balances, and short term deposits.



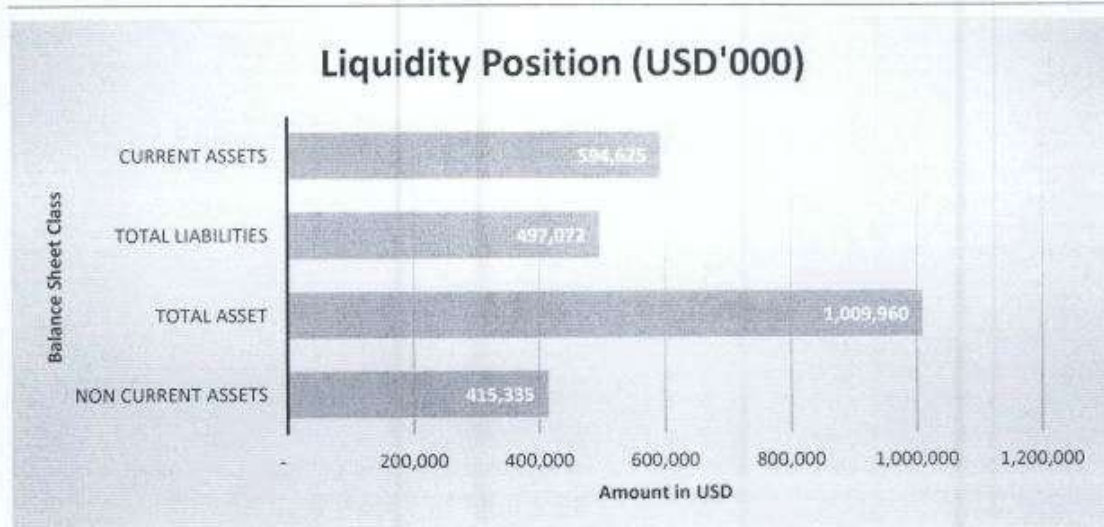
d) Liabilities

The liabilities consist of four main balances items namely: unexpended partner funds, account payable, accrual, provision and member states contribution received in advance. Unexpended partner funds makes up 36% of the total liabilities while accounts payables accounts for 12% of the total liabilities. Provisions and accrual make up 51% of the total liabilities.



On overall, as at 31 December 2016, the current assets exceeds total liabilities by USD 97 million and the net asset balance was USD 513 million.

The graphs below depicts the relationship between the current assets, liabilities and total assets



Net assets of USD 513 million is the residual interest of the total assets and total liabilities. Net asset are represented by:

- Reserve Fund; represents cumulative surpluses and contributes 66% of the total net assets and
- Special Fund; represent accumulation of specific purposes funds so as to further the objectives of the Union and contributes 33% of the total net assets.



Board of External Auditors

As per article 77 of the Union's FRR, the Board of external auditors shall comprise five Heads of supreme audit institutions from member states of the Union one from each region of Africa, appointed by the Executive Council for two-year terms. The current members are:

Members Board of External Auditors

1. Uganda (Chair).
2. Algeria;
3. Cape Verde;
4. Equatorial Guinea; and
5. South Africa.

The role of the Board of external Auditors is to carry out external auditing of AU accounts, including trust, project and special funds, and ensure that it conforms to the internationally accepted auditing standards and guidelines. The Board reports to the AU Executive Council through the AU Permanent Representatives Committee (PRC).

Notes (continued)

2 Statement of compliance and basis of preparation

Basis of preparation

The financial statements of African Union have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSAS) and the AU Financial Rules and Regulations. The financial statements have been prepared on the historical cost basis, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

The financial statements are presented in United States Dollar (USD), which is the functional and reporting currency of the Union and all values are rounded to the nearest thousand (USD'000). The Union implemented IPSAS in 2014 and it has applied IPSAS 17 transitional period which allows entities up to five years to comply fully with IPSAS, which gives the Union up to 2018 to fully comply with IPSAS. This has been applied on plant, property and equipment.

The financial statements have been prepared under the assumption that AU is a going concern, will continue in operation, and will meet its mandate for the foreseeable future (IPSAS 1- Presentation of Financial statements). The overall accounting policies and principles followed in preparing the financial statements are laid down in the AU Financial Rules and Regulations.

Significant IPSAS applicable to the Union are:

- IPSAS 1: Presentation of Financial statements
- IPSAS 2: Cash Flow Statement
- IPSAS 3: Accounting policies, Changes in Accounting Estimates and Errors
- IPSAS 4: The effect of changes in Foreign Exchange Rates
- IPSAS 6: Consolidated Financial Statements
- IPSAS 9: Revenue from Exchange Transactions
- IPSAS 12: Inventories
- IPSAS 13: Leases
- IPSAS 14: Events after the reporting date
- IPSAS 17: Property, Plant and Equipment
- IPSAS 18: Segment Reporting
- IPSAS 19: Provisions, Contingent Liabilities
- IPSAS 20: Related Party Disclosures
- IPSAS 21: Impairment of Non Cash Generating Assets
- IPSAS 23: Revenue from Non-Exchange Transaction
- IPSAS 24: Presentation of Budget information in Financial statements
- IPSAS 25: Employee Benefits
- IPSAS 28,29,30: Financial Instruments
- IPSAS 31: Intangible Assets

Accounting principles

The objective of the financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For the African Union as a public sector entity, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it. It is with these goals in mind that the present document has been drawn up.

The overall considerations (or accounting principles) followed when preparing the financial statements are laid down in IPSAS 1, that is: fair presentation, accrual basis, going concern, consistency of presentation, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, reliability, understandability and comparability. Preparation of the financial statements in accordance with the above requires management to make estimates that affect the reported amounts of certain items in the balance sheet and statement of financial performance, as well as the disclosures related to financial instruments and contingent assets and liabilities.

Notes (continued)

2. Statement of compliance and basis of preparation (continued)

Objective of the financial statements

The goal of the financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For the African Union as a public sector entity, the objectives are more to provide information useful for decision making and to demonstrate the accountability of the entity for the resources entrusted to it. The overall considerations followed when preparing the financial statements are laid down in Financial Rules and regulations of the African Union and IPSAS 1, that is: fair presentation, accrual basis, going concern, consistency of presentation, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, reliability, understandability and comparability. In accordance with IPSAS 1 and AU Financial Rules and Regulations Article 71, a complete set of Financial statements have been prepared as follows:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flows;
- Statement of Comparison of Budget and Actual Expenditure; and
- Notes to the financial statement, a summary of significant accounting policies, and other explanatory notes supporting the financial statements.

The financial statements period cover the period 1 January 2016 to 31 December 2016. The comparative numbers are for the corresponding period 1 January 2015 to 31 December 2015.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Union

Amendment to IPSAS 15, 'Financial Instruments: Disclosure and Presentation' which was superseded by IPSAS 29 and IPSAS 30. The standard establishes principles for presenting financial instruments as liabilities or as net assets/equity and for offsetting financial assets and financial liabilities. IPSAS 29 deals with the measurement of financial instruments and IPSAS 30 deals with the disclosures relating to financial instruments. It also deals with offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Union's financial statements.

(ii) New standards and interpretations not yet adopted

IPSAS 34 'Separate Financial Statements'. The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements for separate financial statements in IPSAS 6.

Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

Notes (continued)

2. Statement of compliance and basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IPSAS 35, 'consolidated financial statements'. The standard supersedes the requirements in IPSAS 6 regarding consolidated financial statements. IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. The definition of control focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity. This new definition of control may impact previous assessments of control, and therefore whether certain entities should be consolidated. IPSAS 35 also introduces the concept of "investment entities," which may be applicable to some sovereign wealth funds. Generally, an investment entity measures its investments in controlled entities at fair value through surplus or deficit. After thorough consultation, the IPSASB decided, for public sector specific reasons, that an entity which controls an investment entity should retain this method of accounting for an investment entity's investments in its consolidated financial statements, regardless of whether it is itself an investment entity. In contrast with IPSAS 6, IPSAS 35 no longer permits an exemption from consolidation for temporarily controlled entities. Consistent with the IPSASB's policy of reducing unnecessary differences between IPSASs and Government Finance Statistics reporting guidelines, the IPSASB has aligned the principles in IPSAS 35 with the Government Finance Statistics Manual 2014 (pre-publication draft) where feasible.

Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

IPSAS 36 'Investments in Associates and Joint Ventures' explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. The requirements are very similar to the current guidance in IPSAS 7. Because equity accounting must now be used when accounting for joint ventures, the title of the standard now also refers to joint ventures. In contrast with IPSAS 7, IPSAS 36 does not permit a different accounting treatment for temporary investments.

Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

IPSAS 37 'Joint Arrangements'. The standard establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. Joint arrangements are classified as either joint operations or joint ventures. In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement. These classifications differ from IPSAS 8, which referred to three types of arrangements (jointly controlled entities, jointly controlled operations, and jointly controlled assets). IPSAS 37 requires that an entity account for its interest in a joint operation by recognizing its share of the assets, liabilities, revenue, and expenses of the joint arrangement. It also requires that joint ventures be accounted for using the equity method. Previously, IPSAS 8 permitted jointly controlled entities to be accounted for using either the equity method or proportionate consolidation.

Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

Notes (continued)

2. Statement of compliance and basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

ii) New standards and interpretations not yet adopted (continued)

IPSAS 38 'Disclosure of Interests in other Entities'. The standard brings together the disclosures previously included in IPSASs 6–8. It also introduces new disclosure requirements, including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal.

Its effective date is annual financial statements covering periods beginning on or after January 1, 2017.

IPSAS 39 'Employee benefits'. This will replace IPSAS 25, Employee Benefits, on January 1, 2018, with earlier adoption encouraged.

This limited-scope project was part of the IPSASB's strategy to maintain its existing standards. IPSAS 39 reflects amendments made by the International Accounting Standards Board to its equivalent standard, International Accounting Standard (IAS) 19, Employee Benefits, up to December 2015. The main differences between IPSAS 39 and IPSAS 25 are:

- Removal of an option that allowed an entity to defer the recognition of changes in the net defined benefit liability (the "corridor approach");
- Introduction of the net interest approach for defined benefit plans;
- Amendment of certain disclosure requirements for defined benefit plans and multi-employer plans;
- Simplification of the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service; and
- Removal of the requirements for Composite Social Security Programs.

There are no other IPSASs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Union.

Notes (continued)

3. Summary of significant accounting policies

(a) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollar (USD) which is the Organization's functional currency.

(b) Transactions and balances

Property, Plant and Equipment

Property, plant and equipment and intangible assets, retain their value in US dollars at the rate applied on date of acquisition.

Other transactions

Foreign currency transactions are translated into US dollars using the exchange rate prevailing at the date of the transactions using UN Exchange rate of that month. Foreign exchange gains and losses resulting from the settlement of foreign currency transaction and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of Financial Performance.

Year end balances

Year end balances of monetary assets and liabilities denominated in foreign currencies are converted into Dollar on the basis of the exchange rate applying as at the statement of financial position date.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

(b) Property, plant and equipment

Property, plant and equipment is measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the items. The cost of an item of property plant and equipment is recognized only when it is probable that future economic benefit or service potential associated with the item will flow to the Union, and if the item's cost or fair value can be measured reliably.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Property, plant and equipment for AUC Headquarters, AU liaison offices and regional offices with a value equal to or greater than USD 3,000 are capitalized. AU Organs' capitalization threshold is set at USD 1,000. With regards to Self-constructed asset, the capitalization threshold is USD 30,000. However, fixed assets whose useful life exceeds one financial year but with a value of less than the capitalization threshold, are recorded as low value assets and methodically expensed.

Subsequent to initial recognition, property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment losses. The Union considers all assets of this type to be non-cash generating.

Depreciation is calculated on a straight-line basis over the asset's useful life except for land and asset under construction which is not subject to depreciation. Depreciation is charged in order to write-off the cost or valuation of assets over their estimated useful lives. The depreciation

rates listed below are applied to the following categories of assets using the straight line method.

Notes (continued)

3. Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

Asset category	Useful life years	%
Land	Infinity	-
Assets under construction	Infinity	-
Buildings- fixed	50	2%
Building- commercial finance lease	50	2%
Building- donated rights to use	50	2%
Infrastructure assets	50	2%
Printing and publishing equipment	20	5%
Heavy wheeled vehicle and engineering support equipment	12	8.33%
Specialised vehicles, trailers and attachments	12	8.33%
Heavy engineering and construction equipment	12	8.33%
Furniture	10	10%
Conference equipment	8	12.5%
Buildings- temporary and mobile	7	14.29%
Communications equipment	7	14.29%
Audi Visual equipment	7	14.29%
Security and safety equipment	7	14.29%
Fixtures and fittings	7	14.29%
Water treatment and fuel distribution equipment	7	14.29%
Light wheeled vehicles	6	16.67%
Transportation equipment	5	20%
Generator	5	20%
Medical equipment	5	20%
Fixtures and fittings short lease	5	20%
Light engineering and construction equipment	5	20%
Minor construction works	5	20%
IT equipment	4	25%
Office equipment	4	25%
Software acquired externally	3	33.3%
Software internally developed	3	33.3%
Copyrights	3	33.3%
Library reference materials	3	33.3%
Licenses and rights	2	50%

Notes (continued)

3. Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

Depreciation is treated as an expense; and it is charged against revenue in the statement of financial performance.

The Union's fixed assets useful values and Residual values were reviewed in 2015 and residual value still considered to be zero. A sample physical verification of high value assets was conducted in 2016 at the AU headquarters and the residual value was still considered to be zero.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains or losses on disposal are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and would be included in the statement of financial performance.

Transitional Provision

The African Union took advantage of the IPSAS 17 Property plant and equipment transitional provisions in paragraphs 95 and 96 that allow entities 5 years of transitional period to be fully compliant with the standard following the date of first adoption of IPSAS. The Union adopted IPSAS in 2014 and hence will benefit from this measure till 2018.

In accordance with the transitional provision, the Union did not recognize in the balance sheet assets that are in the process of being valued by experts: New building in HQ donated by Germany, all of the assets in Algiers donated by the host country, land in Mali and the assets in DRC liaison office. In addition, the land and building in Brussels have not been classified under their respective category of land and building.

(c) Intangible assets

Intangible assets are resources without physical substance controlled by an entity. For an intangible asset to be recognized in AU it must meet the following criteria:

- Have an estimated useful life of more than one year; and
- Cost threshold as listed below

Externally acquired Intangibles

- Commercial-off-the-shelf software - USD 5,000
- Other intangibles acquired separately (other Licenses & Rights) - USD 1,000

Internally Developed intangibles

- Custom developed software - USD 10,000
- Copyrights - USD 10,000

An intangible asset shall be recognized initially at historical cost less accumulated amortization and any impairment losses.

Where intangible asset is acquired at no cost (as gift, contribution, or donation) or for a nominal cost, the fair value of the asset as at the date of acquisition is used. For internally developed

intangible assets, all research cost are charged to expense when incurred. Development costs are capitalized only after technical feasibility has been established, and the future economic benefits or service potential has been demonstrated.

Notes (continued)

3. Summary of significant accounting policies (continued)

(d) Impairment of non-financial assets

Property, plant and equipment and intangible assets held by the Union are considered to be non-cash generating assets as they are not held with the primary objective of generating a commercial return.

For non-financial non-cash-generating assets, the Union assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. Impairment shall be recognized when the asset's carrying amount exceeds its recoverable amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use. Impairment losses are recognized immediately in surplus or deficit.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined in financial rules and Regulations. It includes cheques, irrevocable letters of credit and other similar financial instruments that are short term, highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(f) Inventories

The Union recognizes stationery and office supplies, medicines products and supplies, military products and supplies, information technology materials and accessories, maintenance materials and printing plants materials as part of its inventories.

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost or net realizable value. Inventories held for use or distribution at no or nominal charge is measured at lower of cost or replacement cost. Inventories held for sale will be measured at lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories at the end of the financial year are valued using a weighted average method and are subject to annual physical verification.

Notes (continued)

3. Summary of significant accounting policies (continued)

(g) Financial instruments

(i) Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification

The Union classifies its financial assets in the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Union provides money, goods or services directly to a debtor with no intention of trading the receivable. Payments due within 12 months of the balance sheet date are classified as current assets. Payments due after 12 months from the balance sheet date are classified as non-current assets. Loans and receivables include term deposits with the original maturity above three months. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Union has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Union. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the balance sheet date.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the Union expects to hold them, which is usually the maturity date.

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as loans and receivables or held-to-maturity investments as appropriate. The Union determines the classification of its financial assets at initial recognition. The Union will recognize a financial asset or a financial liability on its statement of financial position when it becomes party to the contractual provisions of the underlying financial instrument and as a consequence, has a legal right to receive or a legal obligation to pay cash.

Notes (continued)

3. Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

De-recognition

The Union will remove a financial asset from its statement of financial position when the contractual rights to the cash flows from the financial asset expire (usually in the case of contribution and account receivable, when payment has been received), or when it transfers the financial asset, with all the risks and rewards of ownership, to another party.

The Union will remove a financial liability, or part of a financial liability, from its statement of financial position when it is extinguished.

Impairment of financial assets

The Union assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

For financial assets carried at amortized cost (held to maturity investment, loan and receivables) the carrying amount shall be reduced directly or through the use of allowance account with the amount of loss recognized in the statement of financial performance.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Union determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Notes (continued)

3. Summary of significant accounting policies (continued)

(h) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Union. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

(i) Provisions and contingent liabilities/ assets

Provisions

Provisions are recognized when the Union has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized for future liabilities and charges.

Contingent liabilities

A contingent liability requires disclosure only in the notes to the financial statements and no recognition on the face of the financial statement. If it is:

- A possible obligation that arises from past events but whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Union, or
- The amount of the obligation cannot be measured with sufficient reliability

Contingent assets

The Union does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Union in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

(j) Accounts payables

A significant amount of the accounts payable by the Union are not related to the purchase of goods or services (exchange transactions). Instead they are unpaid cost claims from troops contributing countries for peace support operations. They are recorded as payables when a formal and verified request has been received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount and recognized as accounts payable in the financial statements.

Payables arising from the purchase of goods and services are recognized when goods are received and a goods received notes (GRN) is issued at reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the Union in accordance with the delivery principles.

Notes (continued)

3. Summary of significant accounting policies (continued)

(k) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits or service potential will flow to the Union and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The sources of revenue for the Union are:

1. Assessed Contributions
2. Voluntary Contributions, gifts and Donations
3. Revenue Generating Activities
4. Miscellaneous Revenue.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Organization during the year, which represents an increase in net assets. Following the decision to adopt IPSAS, the Union with effect from 2012 financial year opted to recognize revenue following the established criteria by IPSAS 9, "Revenue from exchange transactions," and IPSAS 23, "Revenue from non-exchange transactions."

Exchange transactions are transactions in which the Union receives assets or services, or has liabilities extinguished, and directly gives approximately equal value primarily in the form of cash, goods, services, or use of assets to another entity in exchange (IPSAS 9).

In a non-exchange transaction, the Union either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange (IPSAS 23).

i) Revenue from non-exchange transactions

Revenues from non-exchange transactions are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the organisation and can be measured reliably.

Assessed contributions

In accordance with IPSAS requirements reflecting the nature of the Union's business, revenue from assessed contributions of member states is recognized as non-exchange transactions as per IPSAS 23 (Revenue from non-exchange transactions). Revenue from Assessed Contributions (non-exchange transactions) is recognized at the beginning of the financial year when the Member States' assessed contribution commitment to the Union is incurred. Contribution from member states are recognised in the financial statement in the year to which they relate to.

Voluntary contributions

Revenue from voluntary contributions is recognized upon the signing of a binding agreement between the Union and the third-party providing the contribution. Voluntary contributions without restrictions are treated as non-exchange transactions. Voluntary contributions that include restrictions on their use, are initially treated as unexpended Grant and then recognized as revenue when the restrictions are satisfied. The Union considers that while there are restrictions on the use of contributions, these restrictions do not constitute conditions on transferred assets as defined under IPSAS 23.

Notes (continued)

3. Summary of significant accounting policies (continued)

(k) Revenue recognition (continued)

i) Revenue from non-exchange transactions (continued)

Partner funds

The Union receives funds from various development partners to fund specific programmes under the main AU pillars. Funds from these partners are recognized as a current liability in the balance sheet (*unexpended partner funds*). Revenue is realized in the income statement upon expending the partner funds.

In a case where pre-financing is permitted by the funding agreement entered between the Union and the development partner, owing funds from the partner(s) at the end of the reporting period will be recognized as partner funds receivable

Contribution in-kind and in Service

Contributions in-kind and in-service received by the Union are recorded upon receipt from the contributor at an amount equal to their fair market value as determined at the time of acquisition. Donated property, plant and equipment are recognized as an asset with a corresponding entry to revenue. Other in-kind or in-service contributions are recognized as revenue with a corresponding entry to expense.

ii) Revenue from exchange transactions

This will include interest income, sale of assets, income from the AU clinic at the HQ, rental income and related other income.

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

Revenue from the use of AU facilities and other income is recognized as revenue when earned

(l) Budget versus actual comparison

The annual budget is prepared on a cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Union. As a result of the adoption of the cash basis for budgeting purposes, IPSAS 24 requires a reconciliation prepared between the statement of comparison of budget and the statement of financial performance identifying separately any basis, timing, presentation and entity differences. This has been presented under note 42.

(m) Fund accounting

A fund is a self-balancing accounting system established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements have adopted the principle of fund accounting for designated funds, showing at the end of the period the consolidated position of all funds. Fund balances represent the accumulated residual of revenue and expenses.

The Fund comprises, General Fund, Reserve Fund, Working Capital Fund and Special Funds.

Notes (continued)

3. Summary of significant accounting policies (continued)

(m) Fund accounting (continued)

Working Capital Fund

This has been established as per article 24 of the AU Financial Rules and Regulations. A Working Capital fund is established out of the reserve fund of the Union to provide advances necessary to meet commitment pending receipt of contributions due from Member States and to provide advances necessary to meet commitment and unforeseen or extraordinary expenses arising from implementation of resolution and decisions adopted by the Executive Council or the Assembly.

Reserve Fund

This has been established as per Article 25 of the AU Financial Rules and Regulations, where any unutilized funds or surplus shall be recorded. It shall be utilized in accordance with a decision of the PRC for urgent or unforeseen Expenses. The minimum balance in the Reserve Fund shall be at least three months' operating budget requirement of the Union. Where the Reserve Fund is more than three months' operating budget requirement, any supplementary budget that has been approved by the Assembly shall first draw its funds from the Reserve Fund up to the extent that the balance is not less than the threshold stated in above. When the fund in the Reserve Fund float exceed three months' operating budget requirement, any excess fund shall be invested according to Article 49-53 of the Rules and Regulations.

Special Funds

This has been established as per Article 26 of the AU Financial Rules and Regulations for specific purposes so as to further the objectives of the Union. These represent funds operated by African Union for special purposes. The amounts are appropriated from the Budget every year to be used for special purposes. Accumulated balances thereof are carried forward to be used in the next periods.

(n) Employee benefits

Salaries, wages and leave – Short Term

Liabilities for wages and salaries (including non-monetary benefits), accumulated annual leave are recognized in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled.

Post-employment

The Union recognizes post –employment benefits for long-term staff through a defined contribution plan with American Life Insurance Company (ALICO). For short-term staff contribution towards their pension at the official rate is paid as part of their monthly salaries. The short –term employee benefits is recognized by way of provision for known obligations toward staff and this is revised annually for possible increase or decreases.

(o) Expenses

Expenses are decreases in economic benefits or service potential during the financial year in the form of outflows, consumption of assets, or increases of liabilities that results in decreases in net assets/equity. The Union recognizes expenses at the point where goods have been received or services have been rendered (delivery principle) and not when cash or its equivalent is paid.

Notes (continued)

3. Summary of significant accounting policies (continued)

(p) Changes in accounting policies and estimates

The Union recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

(q) Significant judgments and sources of estimation uncertainty

The preparation of the Union's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of certain items in the balance sheet and statement of financial performance, and the disclosure of contingent liabilities, at the end of the reporting period. In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on the most reliable information available.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Significant estimates include, but are not limited to: amount for employee benefit liabilities, provisions, financial risk on inventories and accounts receivable, accrued income and charges, contingent assets and liabilities, degree of impairment of intangible assets and property, plant and equipment and amounts disclosed in the notes concerning financial instruments. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Union
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions are raised and management determine an estimate based on the information available. During the current reporting period, provisions relating to bad and doubtful debts were made and have been reported.

(r) Subsequent events

At the date of signing of these accounts, except for the matter outlined below, no material issues had come to the attention of the Union that would require separate disclosure under this section. The accounts and related notes were prepared using the most recently available information and this is reflected in the information presented.

- On 30 January 2017 Morocco was admitted into the African Union as a member state.
- In March 2017, new commission office bearers reported to duty after the elections which were held on 30 January 2017. The names and their roles have been disclosed under the AUC's structure section

Notes (continued)

3. Summary of significant accounting policies (continued)

(s) Statement of Cash Flow

The cash flow statement is prepared using the indirect method permitted under IPSAS 2. This means that the actual result for the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cash flows.

Cash flows arising from transactions in a foreign currency are recorded in the Union's reporting currency (USD), by applying to the foreign currency amount, the exchange rate between the USD and the foreign currency at the date of the cash flow.

The cash flow statement reports cash flows during the period classified by operating and investing activities and the financing activities.

(t) Segment reporting

As required under IPSAS 18, when activities conducted by an organization are broad and encompass a wide range of different geographical regions, with different social economic characteristics, it is necessary to report disaggregated financial and non-financial information about particular segments to provide relevant information for accountability and decision making. The two types of segments reported are referred to as service segments or geographical segments. These terms have the following meaning:

Service segment refer to a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives consistent with its overall mission;

A geographical segment is a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives with a particular geographical area.

The AU undertakes segment reporting based on the service segments and sources of financing. Service segments are reported in note 38 to the financial statements.

Notes (continued)

3. Summary of significant accounting policies (continued)

(u) Consolidation

The consolidated financial statements of the African Union consist of all significant controlled permanent representation offices, specialized and regional offices, special representative and liaisons offices and AU organs. The complete list of consolidated entities can be found above under **section 1.3 "Legal Basis and Scope of the Financial statements."**

The following regional offices and organs have been consolidated for the first time in the year ended 31 December 2016

Specialized offices

1. African Energy Commission (AFREC), Algiers – Algeria;
2. African Union International Centre for the Education of Girls and Women in Africa (AU/CIEFFA)

Organs

3. Pan African Parliament (PAP) - Johannesburg, South Africa;
4. African Observatory of Science, Technology and Innovation (AOSTI), Malabo – Equatorial Guinea;
5. New Partnership for Africa Development (NEPAD) - Midrand, South Africa;
6. African Commission on Human and Peoples' Rights (ACHPR) - Banjul, The Gambia;
7. African Court on Human and Peoples' Rights (AfCHR) - Arusha, Tanzania; and
8. African Union Advisory Board on Corruption (AUBC) Arusha.

ECOSOCC, AUCIL, IPED, PAU, AUCDC and Peace and Security Council financial activities are handled by AUC and thus form part of the financial statements of AUC.

(v) Comparative balances

The comparative balances included in the financial statements are for the audited period 1 January 2015 to 31 December 2015. The comparative numbers have been restated to include the opening balances for the entities not previously consolidated for the financial year 2015 (as disclosed in 3u above) and to reclassify various balances. The reconciliations of the restated balances are presented below:

I. Reconciliation of the restated balances: Statement of Financial Position

		As at 31 December		
		2015 as previously stated	Adjustments: Add 2015 organ balances*	2015 Restated
	Notes	USD '000	USD '000	USD '000
Assets				
Non-current assets				
Property, plant and equipment	5	413,267	812	414,079
Intangible assets	6	128	-	128
Asset under construction	7	21	-	21
Long-term receivables	8	3,014	-	3,014
		416,430	812	417,242
Current assets				
Cash and cash equivalents	9	261,457	26,165	287,622
Short term investments	10	186	-	186
Advance payments to suppliers	11	3,807	364	4,171
Prepayments	12	985	43	1,027
Short term receivables	13	12,985	4,045	17,030
Inventories	14	1,059	108	1,167
Receivables from the member states	15	66,042	-	66,042
Receivables from partner funds	16	74,561	540	75,101
Receivables from observer missions and recs	17	8,064	-	8,064
Receivable from AU organs- programme	18	875	107	982
		430,021	31,372	461,392
Total assets		846,450	32,184	878,634
Liabilities				
Current liabilities				
Accounts payables	19	150,947	1,618	152,565
Payable to observer missions and RECs	19	-	646	646
Accruals	20	64,075	5,053	69,128
Provisions	20	15,225	-	15,225
Members states contributions received in advance	21	3,509	-	3,509
Unexpended partner funds	22	167,327	19,018	186,345
Total liabilities		401,083	26,335	427,418
NET ASSETS		445,367	5,849	451,216
Represented by:				
Reserve fund		311,180	5,849	317,029
Special funds	23	134,187	-	134,187
FUND BALANCE		445,367	5,849	451,216

*The adjustments relate to the inclusion of 2015 balances for the following organs (PAP, NEPAD, AUABC, ACHPR and AfCHR). These organs had been previously excluded from the consolidated financial statements.

II. Reconciliations of the restated balances: Statement of Financial Performance

		For the year ended 31 December			
		2015 as previously stated	Add/ (less) 2015 organ balances*	Adjustments: Reclassification **	2015 restated
	Notes	USD'000	USD'000	USD'000	USD'000
Revenue from non-exchange transactions					
Member states' assessed contributions	24	131,471	-	-	131,471
Partner funds-realized	25	439,340	19,730	-	459,070
Voluntary contributions - in kind/ service	26	1,797	-	-	1,797
		572,608	19,730	-	592,338
Revenue from exchange transactions					
Other revenue	27	1250	1,166	-	2,416
Total revenue		573,858	20,896	-	594,754
Expenses					
Staff costs	28	120,952	22,215	8,373	151,540
Employee Benefit	28	9,570	-	-	9,570
Subventions to AU organs	29	29,869	(28,344)	-	1,525
Expert fees	30	9,299	5,692	-	14,991
Official missions	31	49,883	12,570	-	62,453
Other subventions/ grants	32	10,035	-	-	10,035
Grants and donations	33	649	-	-	649
Provision bad debts	34	2,041	-	-	2,041
Depreciation	5	4,618	1,261	-	5,879
Other operating expenses	35	19,598	7,358	-	26,956
Peace support operations (PSO)	36	312,604	-	(8,373)	304,231
Low value asset/ capital expenditure	37	3,501	120	-	3,621
Financial charges	38	370	1,725	-	2,095
Office supplies and services	39	3,984	(277)	-	3,707
Project costs		1,207	-	-	1,207
Year end appropriations		-	-	-	-
Total expenses		578,180	22,321	-	600,500
Other gains/(losses)					
(Gain)/ loss on foreign exchange transactions	40	18,804	-	-	18,804
Total expenditure		596,983	22,231	-	619,304
Net surplus/ (deficit) for the period		(23,125)	(1,425)	-	(24,550)

*The adjustments relate to the inclusion of 2015 balances for the following organs (PAP, NEPAD, AUABC, ACHPR and AfCHR) in the restated comparative balances.

*AFREC was erroneously classified as an organ in 2015, its expenses were not consolidated in the 2015 AUC FS. This has been corrected to include the expenses in AUC FS and exclude the amount from subventions to AU organs.

**PSO salary expenses for 2015 were reclassified to staff costs in the restated comparative balances.

Notes (continued)

4. Financial risk management objectives and policies

The Union's activities expose it to a variety of financial risks, mainly, credit risk, liquidity risk and the effects of changes in interest rates. The Union's overall risk management programme seeks to minimise potential adverse effects on its financial performance and position.

Risk management is carried out by the various departments of the Union under policies approved by the Permanent Representative and the Executive.

(a) Risks facing the Union

The following are the main types of risks that AU is exposed to in the course of executing its operations:

- Financial risks include:
 - Credit risk
 - Market risk
 - Interest risk
 - Liquidity risk
- Non-financial risks include:
 - Operational risk
 - Human resource risk
 - Legal risk
 - Reputation risk

i. Credit risk

Credit risk is the risk of financial loss to the Union if member states, development partners or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from bank balances and receivable balances from the member states assessed contribution, AU organs, observation missions and RECs and partner funds.

Management of the credit risk is through the choice of depository banks and invested instruments. The Union choice of depository banks is confined to credit worth local and international banks that meet the set eligibility criteria of financial soundness. Therefore, the AU does not consider there to be any significant exposure to credit risk.

In determining the recoverability of accounts receivables, the Union considers any change in the credit quality of the receivable amounts from the date credit was initially granted up to the reporting date. Management believe that there is no further credit provision required in excess of the allowance for credit losses already recognized.

The amount that best represents the Union's maximum exposure to credit risk is made up as follows:

As at 31 December 2016

	Gross Amount USD'000	Impaired USD'000	Net balance USD'000
Cash and cash equivalents (Note 9)			
Short term deposit	189	-	189
Cash in bank	331,112	-	331,112
Receivables (Note 10-13)			
Receivable from partner funds	158,973	4,248	154,725
Receivable from observer missions and RECS	4,827	2,353	2,474
Member states assessed contributions	84,487	5,977	78,510
Advanced payment to suppliers	5,170	-	5,170
Prepayment	1,277	5	1,272

	Gross Amount USD'000	Impaired USD'000	Net balance USD'000
Short term receivable	23,145	7,481	15,664
	609,180	20,064	589,116
As at 31 December 2015			
	Gross Amount USD'000	Impaired	Net balance USD'000
Cash and cash equivalents (Note 9)			
Short term deposit	186	-	186
Cash in bank	287,622	-	287,622
Receivables (Note 10-13)			
Receivable from partner funds	79,865	4,764	75,101
Receivable from observer missions and RECS	9,590	1,526	8,064
Receivable from AU Organs programme	982	-	982
Member states assessed contributions	66,661	619	66,042
Advanced payment to suppliers	4,171	-	4,171
Prepayment	1,028	-	1,028
Short term receivable	23,963	6,933	17,030
	474,068	13,842	460,226

ii. Market risk

Market risk is the risk of changes in market prices, in particular interest rates and foreign exchange risk, affecting the Union's financial performance.

Interest rate risk

The Union's interest rate risk arises from interest bearing call deposits held with commercial banks and long term saving accounts.

The revenue generated from short term investments for both the reporting period and the prior period is minimal for any change in interest rates to have an impact. (Refer to note 27).

Price risk

The Union does not hold any financial instrument subject to price risk.

Notes (continued)

4. Financial risk management objectives and policies (continued)

a) Risks facing the Union (continued)

ii. Market risk (continued)

Foreign exchange risk

The Union receives grants and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Ethiopian Birr (ETB) and Great Britain Pound (GBP). Foreign exchange risk arises from funds in accounts and cash at hand denominated in other than the USD especially on observer missions and Peace, Security and Democracy missions.

The table below summarizes the effect on surplus, had the USD weakened/strengthened by 10% (2015:10%) against each currencies held, with all variables held constant. (the analysis is only on the major currencies)

Year 2016

	Euro	ETB	GBP
Effect on surplus/ (deficit) increase	(35,796)	(35,796)	44,330

Year 2015

	Euro	ETB	GBP
Effect on surplus/ (deficit) increase	43,251	43,251	53,656

iii. Liquidity risk

Liquidity risk is the risk of the AU not being able to meet its obligations as they fall due. AU's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the AU reputation.

AU ensures that it has sufficient cash on demand to meet expected operating expenses through the maintenance of liquid cash and deposits that are available on call.

The table below analyses the AU financial liabilities into relevant maturity groupings based on the remaining period as at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes (continued)

4. Financial risk management objectives and policies (continued)

a) Risks facing the Union (continued)

iii. Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	USD'000	USD'000	USD'000	USD'000
At 31 December 2016				
Accounts payables, provisions and accruals	318,804	-	-	-
Member states contributions received in advance	177	-	-	-
Unexpended partner funds	178,091	-	-	-
At 31 December 2015				
Accounts payables, provisions and accruals	237,564	-	-	-
Member states contributions received in advance	3,509	-	-	-
Unexpended partner funds	186,345	-	-	-

Capital risk management

The Union's objectives when managing capital is to safeguard the organisation's ability to continue as a going concern.

(b) Fair value of financial instruments

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits and receivable balances approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Union uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Techniques which use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Statement of financial position

	Notes	As at 31 December	
		2016 USD '000	2015- restated USD '000
Assets			
Non-current assets			
Property, plant and equipment	5	409,369	414,079
Intangible assets	6	2,132	128
Asset under construction	7	21	21
Long- term receivables	8	3,813	3,014
		415,335	417,242
Current assets			
Cash and cash equivalents	9	331,112	287,622
Short term investments	10	189	186
Advance payments to suppliers		5,171	4,171
Prepayments	11	1,272	1,027
Short term receivables	12	15,664	17,030
Inventories	13	1,553	1,167
Receivables from the member states	14	78,510	66,042
Receivables from partner funds	15	154,725	75,101
Receivables from observer missions and recs	16	2,474	8,064
Receivable from AU organs- programme	17	1,553	982
Intercompany receivable account – suspense		2,402	0
		594,625	461,392
Total assets		1,009,960	878,634
Liabilities			
Current liabilities			
Accounts payables	18	60,244	152,565
Payable to Observer Missions and RECs	18	2,590	646
Accruals	19	201,540	69,128
Provisions	19	54,430	15,225
Members states contributions received in advance		177	3,509
Unexpended partner funds		178,091	186,345
Total liabilities		497,072	427,418
NET ASSETS		512,888	451,216
Represented by:			
Working capital fund		5,000	-
Reserve fund		338,760	317,029
Special funds	20	169,128	134,187
FUND BALANCE		512,888	451,216

Statement of financial performance

		For the year ended 31 December	
		2016	2015-
	Notes	USD'000	restated USD'000
Revenue from non-exchange transactions			
Member states' assessed contributions	21	169,833	131,471
Member states' voluntary contributions	21	1,215	0
Partner funds-realized	22	362,017	459,070
Voluntary contributions- in kind/ service	23	2,791	1,797
		535,856	592,338
Revenue from exchange transactions			
Other revenue	24	4,406	2,416
Total revenue		540,262	594,754
Expenses			
Staff costs	25	148,571	161,110
Subventions to AU organs	26	1,745	1,525
Expert fees	27	11,581	14,991
Official missions	28	44,834	62,453
Other subventions/ grants	29	10,504	10,035
Grants and donations	30	1,699	649
Provision bad debts	31	8,025	2,041
Depreciation and amortisation	5 & 6	5,744	5,879
Other operating expenses	32	26,860	26,956
Peace support operations	33	231,865	304,231
Low value asset/ capital expenditure	34	2,541	3,621
Financial charges	35	437	2,095
Office supplies and services	36	6,625	3,707
Project costs		786	1,207
Total expenses		501,817	600,500
Other gains/(losses)			
(Gain)/ loss on foreign exchange transactions	37	11,886	18,804
Total expenditure		513,703	619,304
Net surplus/ (deficit) for the period		26,559	(24,550)

Statement of changes in equity

	General fund	Reserve fund	Total
	USD'000	USD'000	USD'000
As at 1 January 2015- restated	-	342,763	342,763
Prior year errors for PPE	-	(5,776)	(5,776)
Restated opening balance	-	336,987	336,987
Movement in the current year	-	4,591	4,591
Surplus/ (deficit) for the year	(24,550)	-	(24,550)
Appropriation for the year	24,550	(24,550)	-
Balance at 31 December 2015	-	317,028	317,028
As at 1 January 2016	-	317,028	317,028
Movement in the current year	-	336	336
Surplus/ (deficit) for the year	26,559	-	26,559
Transfer of surplus to reserves	(26,559)	26,559	-
Appropriation for the year	-	(5,163)	(5,163)
Balance at 31 December 2016	-	338,760	338,760

Statement of cash flows

	Notes	Year ended 31 December	
		2016 USD'000	2015- restated USD'000
Cash flows from operating activities			
Surplus/ (deficit) for the year		26,559	(24,550)
Gain from sale of vehicle		-	-
Adjustments for:			
Depreciation and amortisation	5 & 6	5,744	5,879
Unrealized loss/gain on foreign exchange		11,463	17,331
Increase in provision for doubtful contribution	31	8,025	2,041
Operating surplus/ (deficit) before working capital changes		<u>51,791</u>	<u>701</u>
<i>Decrease / (increase) in:</i>			
Long term receivables	8	(799)	606
Advance payments to suppliers		(999)	3,967
Prepayments	11	(244)	(390)
Short term receivables	12	1,366	(7,443)
Inventories	13	(386)	(60)
Receivable from member states	14	(12,469)	1,171
Receivables from partner funds	15	(79,623)	12,834
Receivables from observer Missions and RECs	16	5,590	8,954
Receivable from AU Organs- programme	17	(572)	(677)
<i>Increase / (decrease) in:</i>			
Accounts payables	18	(92,321)	22,999
Payable to Observer Missions and RECs	18	1,945	-
Accruals	19	108,029	(13,891)
Provisions	19	39,204	9,210
Members states contributions received in advance		(3,332)	(7,307)
Unexpended partner funds		(8,254)	(9,541)
Intercompany suspense		(2,402)	-
Special funds	20	34,940	(138)
Working capital fund		5,000	(5,000)
Net cash (used)/ generated (in)/ from operating activities		<u>46,464</u>	<u>15,995</u>

Statement of cash flows (continued)

		Year ended 31 December	
		2016 USD'000	2016 USD'000
Cash flows from investing activities	Notes		
Purchase of property, plant and equipment	5 & 6	(2,970)	(3,698)
Net cash used in investing activities		(2,970)	(3,698)
Net increase/ (decrease) in cash and cash equivalents		43,494	12,997
Cash and cash equivalents at 1 January		287,808	275,511
Cash and cash equivalents at 31 December	9 & 10	331,302	287,808

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Statement of comparison of budget and actual cash amounts

Item	Approved budget 2016 USD'000	Adjustments USD'000	Final budget FY 2016 USD'000	Actual FY 2016 USD'000	Performance difference FY 2016 USD'000	% Execution
Expenses						
Pillar 1 - Peace and security	40,060	-	40,060	16,386	23,674	41%
Pillar 2 - Dev., Coop, Regional Integration	94,782	-	94,782	29,430	65,352	31%
Pillar 3 - Shared values	24,378	-	24,378	5,254	19,124	22%
Pillar 4 - Institution and Capacity building	112,960	-	112,960	16,980	95,980	15%
Pillar 5 - Others	3,586	-	3,586	970	2,616	27%
Peace Support operations	354,465	-	354,465	244,092	110,373	69%
Operation Budget-AUC	84,648	-	84,648	59,525	25,123	70%
Total expenditure	714,879		714,879	372,637	342,242	52%

A reconciliation of the budget analysis statement and the financial statements is presented under note 41.

The African Union
Notes to the Financial Statements
For the year ended 31 December 2016

Notes (continued)

5 Property, plant and equipment

	Assets under construction USD'000	Land USD'000	Building USD'000	Motor vehicle USD'000	Computer equipment USD'000	Furniture and fittings USD'000	Office equipment USD'000	Generator USD'000	Total USD'000
Year ended 31 December 2016									
Cost									
At 1 January 2016	21	283,827	114,008	9,355	6,284	1,178	6,007	20,272	440,952
Transfer to software					(879)				(879)
Disposals			(31)	(580)	-	(69)	(211)	-	(891)
Additions			85	258	298	47	926	59	1673
At 31 December 2016	21	283,827	114,062	9,033	5,703	1,156	6,722	20,331	440,855
Depreciation									
At 1 January 2016	-	-	10,983	6,462	3,890	412	3,426	1,700	26,873
Transfer to software	-	-	-	-	(440)	-	-	-	(440)
Charge for the year	-	-	2,577	754	913	101	997	330	5,672
Eliminated on disposal	-	-	(31)	(416)	-	(37)	(135)	-	(619)
At 31 December 2016	-	-	13,529	6,800	4,363	476	4,288	2,030	31,486
Net book value									
At 31 December 2016	21	283,827	100,533	2,233	1,340	680	2,434	18,301	409,369

The African Union
Notes to the Financial Statements
For the year ended 31 December 2016

Notes (continued)

5 Property, plant and equipment (continued)

	Assets under construction	Land	Building	Motor vehicle	Computer equipment	Furniture and fittings	Office equipment	Generator	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Year ended 31 December 2015 - restatement									
Cost									
At 1 January 2015	156	284,030	139,720	7,885	6,306	1,523	5,936	2,896	448,452
PY errors	-	(2,000)	(25,608)	121	(613)	(295)	(456)	17,963	(10,888)
PY classification errors	(156)		(265)	(414)	(542)	(158)	(296)	(773)	(2,604)
Organs				1,105	551	103	432	133	2,324
Restated opening balance	-	282,030	113,847	8,697	5,702	1,173	5,616	20,219	437,284
Additions	21	1,797	161	658	301	5	386	53	3,382
Organs additions	-	-	-	-	281	-	5	-	286
At 31 December 2015 restated	21	283,827	114,008	9,355	6,284	1,178	6,007	20,272	440,952
Depreciation									
At 1 January 2015	-	-	11,554	5,242	3,419	571	2,804	1,926	25,516
PY errors	-	-	(2,778)	(262)	(789)	(300)	(534)	(993)	(5,656)
Organs depreciation	-	-	-	688	432	37	237	80	1,474
Restated opening balance	-	-	8,776	5,668	3,062	308	2,507	1,013	21,334
Charge for the year									
AUC as previously stated	-	-	2,207	605	743	95	868	673	5,191
Organs	-	-	-	189	85	9	51	14	348
At 31 December 2015	-	-	10,983	6,462	3,890	412	3,426	1,700	26,873

5 Property, plant and equipment (continued)

	Assets under construction USD'000	Land USD'000	Building USD'000	Motor vehicle USD'000	Computer equipment USD'000	Furniture and fittings USD'000	Office equipment USD'000	Generator USD'000	Total USD'000
Net book value									
At 31 December 2015	21	283,827	103,025	2,893	2,394	766	2,581	18,572	414,079

Note:

In accordance with the transitional provision, the Union did not recognize assets in the balance sheet that are in the process of being verified and valued by the experts to determine adequate recognition and measurement. This included: New building in the HQ donated by Germany, assets in Algiers donated by the host country, DRC Liaison office assets, Mali land donated by Mali Government to build an office for AU ACALAN Office and various other assets. In addition, land and building in Brussels have not been classified under their respective category of land and building.

The AUC derecognized the properties owned by AU STRC in Lagos because AU STRC does not have title deed in the name of AU and it does not control some of the properties. AUC is under process of organizing the identification and evaluation of all properties not recognized by 2017.

AU-IBAR: -Property Plant and Equipment

In 2015, the assets for AU-IBAR office were reevaluated based on the report of the firm called IMPAX. The government of Kenya donated land to AU-IBAR for a lease period of 99 years in accordance with the prevailing host government regulation. This has been included in the financial statements.

Notes (continued)

6 Intangible assets

	2016 USD'000	2015- restated USD'000
Cost		
At start of year – 1 January	2,388	2,541
Transferred from PP&E	879	
PY errors	-	(664)
Organs	-	481
Restated cost	3,267	2,388
Additions	1,297	30
At end of year – 31 December	4,564	2,368
Amortization		
At start of year – 1 January	1,920	2,048
Organs	-	192
3PY errors	-	(320)
Restated balance	1,920	1,920
Transferred from PP&E	440	-
Amortization for the period	72	340
Accumulated amortization at 31 December	2,432	1,920
Net book balance		
At end of year – 31 December	2,132	128

7 Assets under construction

The financial statements include assets under construction amounting to USD 21,000. Asset under construction in current year related to Welfare Building in AMISOM (2015: USD 21,000).

The integrated project service center which will be handed over by the Chinese government within 32 months from contract date (21 January 2016) is estimated to cost RMB 237 Million and was under construction as at 31 December 2016.

8 Long term receivable

This related to car loan given to staff. This has been split between the current and non- current receivable as below:

	2016 USD'000	2015- restated USD'000
Car loan to staff		
Long term receivable- Non current	3,813	3,014
Short term receivable- Current (<i>note 12</i>)	2,217	2,893

The carrying value of staff car loans approximate their fair value due to their short term nature.

Notes (continued)

9 Cash and cash equivalents

	2016	2015- restated
	USD'000	USD'000
Cash on hand	296	146
Cash in transit	4,234	277
Cash at bank	326,582	287,199
	<hr/>	<hr/>
Cash and cash equivalents	331,112	287,622
	<hr/>	<hr/>

10 Short term investments

These represent balances on short-term money market deposits invested with JP Morgan Chase Bank in New York and ING Bank in Brussels, Belgium. The deposits earn varying interest rates and have maturity dates of less than a year. As at 31 December 2016 the Investments stood as follows:

	2016	2015- restated
	USD'000	USD'000
Money market deposits	8	7
Money market deposits	181	179
	<hr/>	<hr/>
	189	186
	<hr/>	<hr/>

Cash & cash equivalents and short term investment are detailed below

	2016	2015
	USD	USD
General fund	41,021	30,950
Special fund	1,278	890
Working capital fund	5,270	60
PSD-Partners	205,371	174,535
ERM-Partners	78,362	81,373
	<hr/>	<hr/>
	331,302	287,808
	<hr/>	<hr/>

Notes (continued)

11 Prepayments

	2016 USD'000	2015- restated USD'000
Other prepayments	478	318
Provision	(5)	-
Net- other prepayments	<u>473</u>	<u>318</u>
 Rent prepayment	 143	 -
Education	88	163
Insurance prepayment	568	547
	<u>1,272</u>	<u>1,028</u>

Movement on the provision for impairment of prepayments receivables is as follows:

	2016 USD'000	2015- restated USD'000
At start of year	-	-
Provision in the year	5	-
	<u>5</u>	<u>-</u>
At end of year	<u>5</u>	<u>-</u>

12 Short term receivables

	2016 USD'000	2015- restated USD'000
Other receivables		
Sundry receivables	4,288	7,872
Receivables from member states	1,162	1,795
Receivables from non-member states	6,293	6,289
Provision for bad debts- other receivables	(7,481)	(6,933)
Other receivable- net	<u>4,262</u>	<u>9,023</u>
 Advance recoverable from staff members	 905	 712
Car Loan (current portion)	2,217	2,893
Travel and imprest advances	3,907	3,280
Receivable from PAU	2,684	-
Salary and housing allowance advances	1,689	1,121
	<u>15,664</u>	<u>17,030</u>

Notes (continued)

Short term receivables (Continued)

Movement on the provision for impairment of other short term receivables is as follows:

	2016 USD'000	2015- restated USD'000
At start of year	6,933	7,166
Provision in the year	548	-
Utilized	-	(233)
At end of year	7,481	6,933

13 Inventories

	2016 USD'000	2015- restated USD'000
Stationery and office supplies	535	600
Uniforms & household materials	1	1
Fleet maintenance & parts	11	11
Refreshments & beverages	23	22
Maintenance materials	55	23
Printing plant materials	203	167
Information technology materials & accessories	76	76
Medical product & supplies	301	53
Military product & supplies	197	197
Others	151	16
	1553	1,166

14 Outstanding member states contribution

	2016 USD'000	2015- restated USD'000
Outstanding member states contribution	84,487	66,661
Provision for bad debts- member states' assessed contributions	(5,977)	(619)
Outstanding member states contribution- net	78,510	66,042

Notes (continued)

Outstanding member states contribution (Continued)

Movement on the provision for impairment of outstanding member states contribution is as follows:

	2016 USD'000	2015- restated USD'000
At start of year	619	3,110
Provision in the year	5,358	
Reversals	-	(2,491)
	<hr/>	<hr/>
At end of year	5,977	619

15 Receivables from partner funds

	2016 USD'000	2015- restated USD'000
Receivables from partner funds	158,973	79,865
Less: provision for bad debts- partner funds	(4,248)	(4,764)
	<hr/>	<hr/>
Partner funds receivable- net	154,725	75,101

Movement on the provision for impairment of partner funds is as follows:

	2016 USD'000	2015- restated USD'000
At start of year	4,764	-
Provision in the year	51	4,764
Reclassified to receivable from observer mission and RECs	(567)	
Utilized provision	-	-
	<hr/>	<hr/>
At end of year	4,248	4,764

The movement of partner fund balances is presented in Appendix 1.

Notes (continued)

16 Receivable from observer missions and RECs

	2016 USD'000	2015- restated USD'000
Outstanding transfers to observer missions		
Dakar REP Office	208	208
Haiti	-	2
DPAIT/ Sudan	19	19
Darfur/ Sudan	1,526	1,526
Provision for Bad debt (Darfur/Sudan)	(1,752)	(1,526)
	-	229
Outstanding Transfers to RECs		
IGAD (I & II)	-	194
COMESA (I & II)	-	20
EAC (I & II)	-	76
ECOWAS (I & II)	-	627
SADC (I & II)	-	115
Partners	-	602
Regional offices	-	358
RECs ASA	601	-
RECs APSA	2,474	5,843
Program receivables	3,075	7,835
Provision for RECs (Partners)	(601)	-
	-	-
Total receivables observer missions and RECs	2,474	8,064

Movement on the provision for impairment of receivable from observer missions is as follows:

	2016 USD'000	2015- restated USD'000
At start of year	1,526	1,526
Provision in the year	226	-
Reclassified from receivable from Partner funds	567	-
Utilized	-	-
	-	-
At end of year	2,353	1,526

Notes (continued)

17 Receivables from AU Organs- Programme		
	2016	2015- restated
	USD'000	USD'000
Inter AU Organ - African Monetary Fund	-	31
Inter AU Organ -Malabo AOSTI Regional Office	1,553	951
	<hr/>	<hr/>
	1,553	982
	<hr/>	<hr/>
18 a) Accounts payables		
	2016	2015- restated
	USD'000	USD'000
Troop contributing countries	3,351	3,600
Suppliers	42,080	137,390
Credit union and staff association	5,159	3,103
Staff payables	6,633	3,691
Sundry and other payables	3,021	4,781
	<hr/>	<hr/>
	60,244	152,565
	<hr/>	<hr/>
b) Payable to Observer mission and RECs		
Payable to RECs	2,590	646
19 Accruals and provisions		
	2016	2015- restated
	USD'000	USD'000
a) Accruals		
Accrued expenses	201,424	69,128
Others/ regional offices	116	-
	<hr/>	<hr/>
	201,540	69,128
	<hr/>	<hr/>
b) Provisions		
Provision for disability and death compensation	22,979	15,225
Other provisions	31,451	-
	<hr/>	<hr/>
	54,429	15,225
	<hr/>	<hr/>

Notes (continued)

20 Special funds	2016	2015- restated USD'000
	USD'000	
Projects and Programs (Regional Offices)	41	313
Special Refugee Contribution Fund	6,829	5,679
Special Emergency Fund for Drought	11,956	10,956
Acquisition of AU Properties	86,356	82,615
Member States -High Level Panel & Minis	824	824
Work on Union Government Proposal	55	55
General Peace Fund (SF005)	34,811	7,707
Solidarity fund (SF007)	3,193	3,206
Acquisition of Washington office premises	91	91
Horn of Africa Famine Relief	2,730	2,730
African Women Fund	2,232	1,572
Maintenance Fund	4,802	3,230
AFISMA Trust Fund	15,000	15,000
High Level Panel on Alternative Sources of Financing	209	209
	<hr/>	<hr/>
	169,129	134,187
	<hr/>	<hr/>
21 a) Members states' assessed contributions	2016	2015- restated USD'000
	USD'000	
Assessed contribution	169,833	131,471
	<hr/>	<hr/>
b) Members states' voluntary contributions		
Voluntary contributions	1,215	-
	<hr/>	<hr/>
22 Partner funds realised	2016	2015- restated USD'000
	USD'000	
Peace and security	266,848	314,189
Programs	95,169	144,881
	<hr/>	<hr/>
	362,017	459,070
	<hr/>	<hr/>

The movement of partner fund balances is presented in Appendix 1.

Notes (continued)

23 Voluntary contribution in-kind/ service

	2016	2015- restated
	USD'000	USD'000
Donation of land	618	1,797
Donation of cash	2,173	-
	<hr/>	<hr/>
	2,791	1,797
	<hr/>	<hr/>

24 Other revenue

	2016	2015- restated
	USD'000	USD'000
Donated assets	656	-
Disposal of obsolete assets	90	-
AU clinic	57	37
Rental income	388	202
Interest on bank accounts	15	54
Interest on short-term investments	244	307
Gain on exchange	892	1,268
Other income	2,025	548
	<hr/>	<hr/>
	4,366	2,416
	<hr/>	<hr/>

Notes (continued)

25 Staff costs

	2016 USD'000	2015- restated USD'000
Basic salary	37,222	35,981
Accrued employee benefits	224	9,570
Post adjustment allowance	13,339	13,425
Acting allowance	84	63
Temporary assistance	985	1,102
Overtime	243	253
Dependency allowance	1,259	1,285
Housing allowance	10,082	10,585
Pension scheme	6,895	7,841
Special allowance/Short-term salaries	56,970	54,109
Education allowance	4,899	4,981
Travel on home leave	744	966
Staff leave	630	176
Installation allowance	1,016	472
Preferential exchange rate	1,666	1,864
Insurance of personnel	2,680	4,674
Separation cost	2,769	1,249
Staff welfare	39	67
Non-residence allowance	183	195
Cost of initial recruitment	571	369
Transportation of personal effects	260	1,748
Medical expenses	3,181	1,653
Entertainment cost	38	7
Salaries and Allowances - PSO	0	8,373
Other	2,592	103
	<hr/> 148,571	<hr/> 161,111

26 Subventions to AU Organs

	2016 USD'000	2015- restated USD'000
ECOSOCC	649	622
Peace and security Council	553	381
African Union Commission on Int. Law (AUCIL)	338	336
African Charter on the Rights and Welfare of the Child	204	186
	<hr/> 1,744	<hr/> 1,525

These are subventions to ECOSOCC, Peace and Security Council (PSC), African Union Commission on International Law (AUCIL) and African Charter on the rights and welfare of the child (AFREWEC) whose financial activities are handled by the AUC.

Notes (continued)

27 Expert fees

	2016	2015- restated
	USD'000	USD'000
Legal fees	16	-
Consultancy fees	6,020	12,195
Audit fees	225	30
Freelance fees	3,810	1,587
Honorarium	830	1,147
Software licenses and rental fee	646	32
Brokerage fees	34	
	<hr/>	<hr/>
	11,581	14,991
	<hr/>	<hr/>

28 Official missions

	2016	2015- restated
	USD'000	USD'000
Travel tickets	16,358	17,245
DSA	18,073	18,663
Visa fees	132	98
Other mission costs	10,271	26,447
	<hr/>	<hr/>
	44,834	62,453
	<hr/>	<hr/>

29 Other subventions/ grants

	2016	2015- restated
	USD'000	USD'000
Refugees and IDPs	1,927	1,850
Special emergency fund	1,000	1,000
Peace fund	6,745	6,473
Special subvention and grant	350	250
African women fund	482	462
	<hr/>	<hr/>
	10,504	10,035
	<hr/>	<hr/>

Notes (continued)

30 Grants and donations

	2016 USD'000	2015- restated USD'000
Donations	200	203
Grants	1,191	178
Awards	308	268
	<hr/>	<hr/>
	1,699	649
	<hr/>	<hr/>

31 Provision for bad debts

	2016 USD'000	2015- restated USD'000
Prepayments (note 12)	5	
Short term receivables (note 13)	548	(232)
Receivable from member states (note 15)	5,358	(2,491)
Receivable from partner funds (note 16)	(516)	4,764
Receivables from observer missions (note 17)	793	-
Other movements in provision for bad debts	1,837	-
	<hr/>	<hr/>
	8,025	2,041
	<hr/>	<hr/>

32 Other operating expenses

	2016 USD'000	2015- restated USD'000
Rent	6,042	9,742
Communications	2,686	1,770
Repair and maintenance	1,408	1,533
Utilities	742	606
Hospitality	138	227
Printing and binding	237	471
Publication and periodicals	1,258	922
Insurance	705	2,108
Publicity	213	243
Fuel and lubricants	593	680
Training	8,257	4,537
Inventory adjustments	26	(26)
Others	3,187	3,382
Unliquidated obligations	-	(299)
Programme and projects/partners fund expenditure	1,718	1,060
	<hr/>	<hr/>
	26,860	26,956
	<hr/>	<hr/>

Notes (continued)

33 Peace support operations

	2016	2015- restated
	USD'000	USD'000
Peace keepers allowances	213,620	285,010
Death & disability grants	18,245	19,206
Owned equipment fees	-	15
	<hr/>	<hr/>
	231,865	304,231

34 Low value Asset/ capital expenditure

	2016	2015- restated
	USD'000	USD'000
Buildings	11	5
Motor vehicles	111	332
Computer and accessories	583	1,002
Office equipment	122	104
Office furniture and fittings	313	163
Household furniture and fittings	41	55
Printing equipment and machines	1	2
Medical equipment	100	105
Other assets	940	1,333
Generators	306	500
Conference interpretation	13	20
	<hr/>	<hr/>
	2,541	3,621

35 Financial charges

	2016	2015- restated
	USD'000	USD'000
Bank charges	432	544
Interest expense	5	1,551
	<hr/>	<hr/>
	437	2,095

Notes (continued)

36 Office supplies and services

	2016 USD'000	2015- restated USD'000
Stationery supplies and services	795	1,252
Printing and photocopy services	1	230
Printing supplies	-	187
Maintenance supplies	11	259
Other supplies and services	5,819	1,779
	<hr/> 6,626	<hr/> 3,707

37 Foreign exchange (gains)/ loss

	2016 USD'000	2015- restated USD'000
Loss/ (gain) from exchange rate fluctuation	(20,452)	(24,689)
(Gain)/ loss from foreign account revaluation	32,338	43,493
	<hr/> 11,886	<hr/> 18,804

38 Service segments information

IPSAS 18 requires that when activities conducted by an organization are broad and encompass a wide range of different geographical regions, with different socio economic characteristics it is necessary to report disaggregated financial and non-financial information about particular segments to provide relevant information for accountability and decision making. The two types of segments reported are referred to as service segments or geographical segments. These terms have the following meaning:

Service segment refer to a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives consistent with its overall mission;

A geographical segment is a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives with a particular geographical area. The AUC undertakes segment reporting based on the service segments and sources of financing.

The reportable operating segments derive their revenue primarily from assessed member states contributions and partner funds.

For management and reporting purposes, The African Union Commission is organised into the following service segments;

- The African Union Commission (AUC) headquarter and 14 liaison offices;
- Fourteen (14) specialized agencies and regional offices;
- Six (6) permanent representation offices; and
- Five organs.

The complete list of consolidated entities can be found above under section 1.3 "Legal Basis and Scope of the financial statements." The following is the segment information:

The African Union
Notes to the Financial Statements
For the year ended 31 December 2016

Notes (continued)

a) Service segments information (continued)	AUC HQ & liaison offices USD'000	Specialized agencies USD'000	Permanent rep offices USD'000	Organs	Consolidation adjustments USD'000	AU total USD'000
At 31 December 2016						
Revenue from non-exchange transactions						
Member states' assessed contributions	169,833	-	-	-	-	169,833
Member states' voluntary contributions	1,215	-	-	-	-	1,215
Partners funds - realized	332,968	17,669	56	11,324	-	362,017
Voluntary contribution	-	-	-	2,791	-	2,791
Subventions from AUC	-	9,856	9,040	32,072	(50,968)	-
Revenue from exchange transactions						
Other revenue	3,018	302	94	991	-	4,405
Total revenue	507,034	27,826	9,191	47,178	(50,968)	540,262
Expenses						
Peace and security operations	231,865	-	-	-	-	231,865
Other expenses	172,855	26,355	9,587	45,554	-	254,352
Exchange loss (net)	11,080	83	11	711	-	11,886
Provision for bad debt	7,711	-	-	314	-	8,025
Depreciation	4,119	231	665	380	-	5,394
Financial charges	159	56	11	211	-	437
Subventions to AU organs*	1,745	-	-	-	-	1,745
Total expenses	429,534	26,725	10,274	47,170	-	513,703
Net surplus/ (deficit) for the year	77,500	1,101	(1,083)	8	(50,968)	26,559
Segment assets	924,559	23,012	29,949	32,440	-	1,011,530
Segment liabilities	459,617	17,398	662	19,394	-	498,643
Segment net assets	464,942	5,614	29,286	13,045	-	512,888

The African Union

Notes to the Financial Statements

For the year ended 31 December 2016

Notes (continued)							
a)	Service segments information (continued)	AUC HQ & liaison offices USD'000	Specialized agencies USD'000	Permanent Rep offices USD'000	Organs	Consolidation adjustments USD'000	AU total USD'000
At 31 December 2015 Restated							
Revenue from non-exchange transactions							
	Member states' assessed contributions	131,471	-	-	-	-	131,471
	Partners funds - realized	422,051	17,289	-	19,730	-	459,070
	Voluntary contribution	-	1,797	-	0	-	1,797
	Subventions from AUC	-	8,997	9,757	27,668	(46,422)	-
Revenue from exchange transactions							
	Other revenue	690	548	12	1,166	-	2,416
Total revenue		554,212	28,631	9,769	48,564	(46,422)	594,754
Expenses							
	Peace and security operations	304,231	-	-	-	-	304,231
	Other expenses	201,475	26,541	9,708	48,004	-	285,728
	Exchange loss (net)	16,346	2,400	58	-	-	18,804
	Provision for bad debt	2,041	-	-	-	-	2,041
	Depreciation	3,573	385	560	262	-	4,880
	Financial charges	295	64	12	1,724	-	2,095
	Subventions to AU organs, agencies and specialized offices	46,422	-	-	-	(46,422)	-
	Subventions to AU organs (incorporated in AUC)*	1,525	-	-	-	-	1,525
Total expenses		575,908	29,390	10,438	49,990	(46,422)	619,304
Net surplus/ (deficit) for the year		(21,696)	(759)	(669)	(1,426)	-	(24,550)
Segment assets		788,293	26,661	31,602	32,078	-	878,634
Segment liabilities		377,758	22,667	657	26,336	-	427,418
Segment net assets		410,535	3,994	30,945	5,742	-	451,216

*These are subventions to ECOSOCC, Peace and Security Council (PSC), African Union Commission on International Law (AUCIL) and African Charter on the rights and welfare of the child (AFREWEC) whose financial activities are handled by the AUC.

*These are subventions to ECOSOC, Peace and Security Council (PSC), African Union Commission on International Law (AUCIL) and African Charter on the rights and welfare of the child (AFREWEC) whose financial activities are handled by the AUC.

The African Union
Notes to the Financial Statements
For the year ended 31 December 2016

Notes (continued)

Service segments information (continued)

b) Additions to non-current assets

At 31 December 2016

Property and equipment
Intangible assets- software

AUC HQ & liaison offices USD'000	Specialized agencies USD'000	Permanent rep offices USD'000	Organs	AUC total USD'000
1,314	137	25	197	1,673
1,297	-	-	-	1,297
<u>2,611</u>	<u>137</u>	<u>25</u>	<u>197</u>	<u>2,970</u>

At 31 December 2015

Property and equipment
Intangible assets- software

AUC HQ & liaison offices USD'000	Specialized agencies USD'000	Permanent rep offices USD'000	Organs	AUC total USD'000
1,511	1,838	33	286	3,668
30	-	-	-	30
<u>1,541</u>	<u>1,838</u>	<u>33</u>	<u>286</u>	<u>3,698</u>

Notes (continued)

39 Related parties

In the course of its operations, the AU enters into transactions with related parties, which include the Member States, AU organs and Representative Offices.

Funds received from member states have been disclosed on the Statement of financial performance. Funds sent to Representative Offices and Organs have been operated at arm's length and consolidated in the African Union financials.

Key management personnel

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, are the members of the Union, who together constitute the governing body of the Union. This will include the Chairperson, deputy chairperson and the 8 commissioners, whose remuneration is as follows:

	2016 USD'000	2015- restated USD'000
Chairperson	193	193
Deputy Chairperson	176	176
Commissioner for Economic Affairs	184	184
Commissioner for Human Res. Science & Tech	189	189
Commissioner for Infrastructure & Energy	189	189
Commissioner for Political Affairs	184	184
Commissioner for Peace and Security	189	189
Commissioner for Rural Eco. & Agriculture	184	184
Commissioner for Social Affairs	189	189
Commissioner for Trade and Industry	185	185
Other benefits- defined contribution to ALICO	216	237
	<u>2,078</u>	<u>2,099</u>

40 Commitments

Operating lease commitments- Cairo office

African Union Commission entered into a lease for CAIRO regional office for period of 5 years from July 2014. The future lease payments due to the rental premise is as follows:

	2016 USD'000	2015- restated USD'000
As Lessee		
Falling due within one year	52	49
Falling due between one and five years	82	134
	<u>134</u>	<u>183</u>

The Union has also leased its premises to various vendors. The future rental income due from the rental premise is as follows:

As Lessor		
Falling due within one year	114	118
Falling due between one and five years	42	153
	<u>156</u>	<u>1271</u>

Notes (continued)

41 Reconciliation of the budget analysis statement and the financial performance statement

	USD'000	USD'000
Income as per budget statement		
Less: Carry forward from FY 2014/15		
Income as per statement of financial performance		
Expenditure as per budget statement		372,637
Add:		
Exchange loss	11,663	
Organ- expenses	48,975	
Regional offices- expenses	36,601	
Liaison offices- expenses	17,516	
Expenses under special funds	10,504	
Project costs	786	
Provision for bad debt	7,211	
Voluntary contribution expenditures	3,346	
Depreciation charge	3,964	141,066
Expenditure as per statement of financial performance		513,703

42 Employees

The number of employees at the end of the year was 1,875 (2015: 1,957).

43 Old outstanding items that will be presented for write off to the PRC

The AU has performed an analysis of old outstanding balances in various financial line items. These balances have been deemed unrecoverable and shall be presented to the PRC to seek permission for write off from AU's books of accounts. The analysis of the balances is presented in Appendix 2. A draft write off policy for write off has been prepared and awaits approval in the 2017 financial year.

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Appendix 1 – Partner funds movement

Appendix 2 – Old outstanding items that will be presented for write off to the PRC