

**African Union
Board of External Auditors**



**INDEPENDANT AUDITORS' REPORT
ON
AFRICAN UNION (AU)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26 May 2023

INDEPENDENT AUDITOR'S REPORT
Report of the Board of External Auditors to the Executive Council through the
Permanent Representative Committee (PRC) on the African Union Consolidated
Financial Statements for the year ended 31 December 2022

Opinion

We have audited the African Union (AU) consolidated financial statements for the year ended 31 December 2022. These consolidated financial statements comprise the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of changes in net asset, consolidated statement of cash flow, consolidated statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information supporting the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the African Union as at 31st December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS), Accrual Basis, and the requirements of the Revised African Union Financial Rules. (AU FR).

Basis for Opinion

We conducted our audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the African Union in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to our audit of the African Union consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The Chairperson of the African Union is responsible for other information set out on pages 1-16. Our opinion on the AU consolidated financial statements for the year ended 31st December 2022, does not cover the other information referred to above and we do not express any form of assurance thereon.

In connection with the audit of the AU consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the AU consolidated financial statements, or if the information obtained from the audit or otherwise, appears to be materially misstated, we are nothing to report in this regard.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

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

In preparing the African Union consolidated financial statements, management is responsible for assessing AU'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 African Union or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the African Union's financial reporting process.

African Union Board of External Auditors' Responsibility for the Audit of the African Union Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the African Union consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our report that includes opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs, 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 African Union consolidated financial statements. As part of an audit in accordance with the ISSAIs, we exercised professional judgement and maintained professional skepticism throughout our audit of the African Union consolidated financial statements.

In addition to our responsibility for the audit of the African Union consolidated financial statements we also:

- a. identified and assessed the risks of material misstatement of the African Union consolidated financial statements whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that were 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.
- b. obtained 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 African Union's internal control.
- c. evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- d. concluded on the appropriateness of the Management's use of the going concern basis of accounting in the preparation of the African Union consolidated financial statements. We also concluded, based on the audit evidence obtained, whether a material uncertainty existed in relation to events or conditions that may cast

significant doubt on the African Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the African Union consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the African Union consolidated financial statements.

Our conclusions are based on the information available to us at the date of our report. However, future events or conditions may cause the African Union to cease to continue as a going concern.

- e. evaluated the overall presentation, structure, and contents of the African Union consolidated financial statements, including the disclosures, and whether the African Union consolidated financial statements represented the underlying transactions and events in a manner that achieved fair presentation.

Communication with Key Management Staff

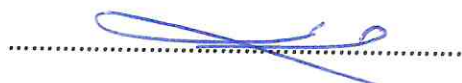
During the audit, we communicated and held sessions with the African Union Management Team. From the matters communicated with them, we determined those matters that were of most significance in the audit of the African Union consolidated financial statements for the year ended 31st December 2022.

We communicated with key management staff 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 identified during our audit.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of the operations of the African Union as reported in the consolidated financial statements that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the African Union Financial Rules (2022) and Constitutive Act of the African Union. In accordance with Rule 97 of the African Union Financial Rules (2022), we have also issued a Management Letter on our audit of the operations of the African Union.

Addis Ababa the May 26, 2023



Counsellor / Hesham Badawy

President of Accountability State Authority, Cairo, Egypt

Chairperson of African Union Board of External Auditors

African Union



AFRICAN UNION (AU)

**ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2022**

BOURSAU OF THE CHAIRPERSON
ARRIVAL DATE 17/05/23
FILE NO: 1706-23

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LIST OF ABBREVIATIONS

Abbreviation	Full name
ACALAN	Executive Secretariat of the African Academy of Languages, Bamako, Mali
ACSRT	African Centre for the Study and Research on Terrorism - Algiers, Algeria
AFREC	African Energy Commission, Algiers, Algeria
AFRIPOL	African Mechanism for Police Cooperation, Algiers, Algeria
AMISOM	African Union Mission in Somalia
AMU	Arab Maghreb Union
AOSTI	African Observatory of Science, Technology and Innovation, Malabo, Equatorial Guinea
Arab League Mission	African Union Permanent Delegation to the League of Arab States – Cairo, Egypt
APRM	African Peer Mechanism, Midrand, South Africa
AU	African Union
AUABC	African Union Advisory Board on Corruption, Arusha, Tanzania
AUC	African Union Commission
AUCIL	African Union Commission on International Law
AUSARO	African Union Mission to the Southern African Region – Lilongwe, Malawi
CELHTO	Center for Linguistic & Historical Study of Oral Tradition; Niamey, Niger
CEN-SAD	Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of the Congo
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOSOCC	Economic, Social and Cultural Council
ECOWAS	Economic Community of West African States
ERM	External Resources Management Division
ETB	Ethiopian Birr
EU & THE ACP Mission	Permanent Observer Mission of the African Union to the EU & THE ACP – Brussels, Belgium
FR	Financial Rules of the African Union
GBP	Great Britain Pound
H.E.	His Excellency
HQ	Headquarters
IAPSC	Inter-African Photo sanitary Council – Yaoundé, Cameroun
IBAR	The Inter-African Bureau for Animal Resources (IBAR) - Nairobi, Kenya
ICT	Information and Communication Technology
IDP	Internally Displaced Person
IGAD	Intergovernmental Authority on Development
IPSAS	International Public Sector Accounting Standards

LIST OF ABBREVIATIONS (continued)

Abbreviation	Full name
NEPAD	New Partnership for Africa's Development, Midrand, South Africa
PANVAC	Pan African Veterinary Centre, Debrezeit, Ethiopia
PAP	Pan African Parliament, Midrand, South Africa
PAU	Pan African University
PPE	Property, Plant and Equipment
PRC	Permanent Representative Committee
PSD	Peace and Security Department
PY	Prior Year
RECS	Regional Economic Communities
SADC	Southern African Development Community
SAFGRAD	Specialized Office for Promotion of Agricultural Research and Development in the Semi-arid Zones of Africa, Ouagadougou, Burkina Faso
STRC	Scientific, Technical & Research Commission - Abuja, Nigeria
UAE	United Arab Emirates
AU GENEVA	African Union Mission to the United Nations – Geneva, Switzerland
AU NEW YORK	Permanent Observer Mission of the African Union to the United Nations - New York
UNECA	United Nations Economic Commission for Africa
USD	United States Dollar

AFRICAN UNION'S INFORMATION (continued)

Key Management	Name	Designation
	H.E. Macky Sall, President of the Republic of Senegal	Chairperson, African Union (February 2022 to February 2023)
	H.E. Felix- Antoine Tshisekedi Tshilombo, President of the Democratic Republic of Congo (DRC)	Chairperson, African Union (February 2021 to February 2022)
	H.E. Moussa Faki Mahamat	Chairperson, African Union Commission (March 2017 to February 2025)
	H.E. Dr. Monique Nsanzabaganwa	Deputy Chairperson, African Union Commission (March 2021 to February 2025)
	H.E. Amani Abou-Zeid, Egypt	Commissioner for Infrastructure and Energy (Reelected in February 2021)
	H.E. Amira El Fadil, Sudan	Commissioner for Social Affairs (January 2017 to January 2022)
	H.E. Albert M. Muchanga, Zambia	Commissioner for Trade and Industry (Reelected in February 2021)
	H.E Sacko Josefa Leonel Correa, Angola	Commissioner for Rural Economy and Agriculture (Reelected in February 2021)
	Sarah Mbi Enow Anyang Epse Agbor, Cameroon	Commissioner for Human Resources, Science and Technology (January 2017 to January 2022)
	Amb. Bankole Adeoye, Nigeria	Commissioner for Political Affairs, Peace and Security ((Elected in February 2021)
	H.E. Amb Minata Samaté Cessouma, Burkina Faso	Commissioner for Health, Humanitarian Affairs and Social Development (Reelected in January 2022)
	Professor Mohammed Belhocine, Algeria	Commissioner for Education, Science, Technology & Innovation (ESTI) (Elected in January 2022)
	Nardos Bekele-Thomas	Chief Executive Officer, New Partnership for Africa's Development (NEPAD) – South Africa
	Gali Massa Harou	Acting Clerk, Pan-African Parliament (PAP) – South Africa
	Professor Eddy Maloka	Chief Executive Officer, African Peer Review Mechanism (APRM) – South Africa
	H.E Lady Justice Imani Daud Aboud	President, African Court on Human & Peoples' Rights (AfCHPR) - Tanzania
	Charity Hanene Nchimunya	Executive Secretary, African Union Advisory Board on Corruption (AUABC) - Tanzania
	Lindiwe Khumalo	Acting Executive Secretary, African Commission on Human & Peoples' Rights (ACHPR) - Gambia

AFRICAN UNION'S INFORMATION (continued)

Key Management	Name	Designation
	William Carew	Head of Secretariat, Economic, Social & Cultural Council (ECOSOCC) - Zambia
	Catherine Maina	Officer in Charge of the Secretariat, African Committee of Experts on the Rights and Welfare of the Child (ACERWC) - Lesotho
	H.E Wamkele Keabetswe Mene	Secretary General, African Continental Free Trade Area (AfCFTA) - Ghana
	Ahmed E. Ogwel Ouma	Acting Director General, Africa Centres for Disease Control and Prevention (Africa CDC) - Ethiopia

Solicitor	Office of the Legal Counsel (OLC)
	African Union Commission
	P.O. Box 3243, Roosevelt Street W21K19
	Addis Ababa, Ethiopia

Independent Auditors	Board of External Auditors
	African Union Commission
	P.O. Box 3243, Roosevelt Street W21K19
	Addis Ababa, Ethiopia

Registered office	African Union Headquarters
	P.O. Box 3243, Roosevelt Street W21K19
	Addis Ababa, Ethiopia

ANNUAL REPORT OF THE CHAIRPERSON

It is my pleasure to present to you my financial report for the year ended 31 December 2022. We end this year in a time of much disruption, uncertainty and unprecedented shifts in the way we operate due to the current global crisis. Our Continent has never faced such a cumulative and diversified context of challenges. But our Continent has also never witnessed stronger capacities to be resilient and build further its responses to unforeseen shocks. We have had to adapt, reorganise and make changes to how we deliver our mandate. We have learnt that change and innovation is inevitable to confront the challenges of our time and are reassured that together, there is little we cannot overcome. Presented below are the key highlights of my 2022 annual report.



Status of the Revitalized Peace Fund

The Peace Fund was reconciled and the cash balance available of US\$25,032,053.75 was transferred to the Revitalized Peace Fund as per Executive Council Decision (EX.CL/Dec.1057-1072 (XXXV) Annex V - EX.CL/Dec.1057-1072 (XXXV) which requested the Commission to "prepare a comprehensive statement of the previous Peace Fund collected through financial appropriations from Member States and Partners which should be merged with the new Revitalized Peace Fund so as to retain one Peace Fund". In order to revitalize the Peace Fund, the Assembly of Heads of State and Government through its Decision Assembly/AU/Dec.605 (XXVII), directed that Member States were to be assessed based on existing scale of assessment to contribute US\$65 Million each year from 2017-2019 and \$51.25 Million from 2020-2023 to reach US\$400 Million.

Member States have been assessed a total of US\$348,750,000 out of the total assessed contribution of US\$400,000,000 at the reporting date. For the year 2023, the target assessed contribution from Member States is US\$51,250,000. Furthermore, US\$45,559,422 has been added to the contribution, which includes arrears, investment income, voluntary contributions, and transfer from the existing Peace Fund. As a result, the total fund balance is US\$394 million

The Revitalised Peace Fund received a cumulative cash inflow of US\$331,313,546, out of which US\$285,753,834 was collected through assessed contributions from the Member States, while cash receipt amounting to US\$45,559,422 was generated from other sources such as voluntary contributions from Senegal, interest earned on investments, and funds transferred to the Revitalised Peace Fund from Old Peace Fund.

In April 2022, the procurement process for Fund Managers was successfully concluded, following which the task of managing the Peace Fund investments was awarded to Old Mutual Investment Group (South Africa) and Sanlam Investments East Africa Limited (Kenya). At the reporting date, the Revitalised Peace Fund had transferred US\$315,031,603 out of the cash balance of US\$331,313,546 to the Fund Managers for investment purposes. Both Fund Managers realized gains totaling US\$3,122,357, as a result of the invested amounts.

Geothermal Risk Mitigation Facility (GRMF)

The African Union intensified efforts to increase development of geothermal as a strategic clean energy resource. During 2022, the GRMF disbursed over US\$9 million grants to geothermal project developers for conducting surface studies and drilling wells to prepare projects towards bankability. To date, the GRMF has a pipeline of 40 projects with a potential grant requirement of over US\$100 million, which could leverage over US\$10 billion investments leading to a total of 3.5 GW addition to the grid to enhance access and reliability of electricity supply.

ANNUAL REPORT OF THE CHAIRPERSON (continued)

Recruitments

Following the Commission's recommendations, as informed by the revised assumptions and related costs, the Executive Council, through its Decision EX.CL/Dec.1168(XLI), of July 2022 approved a budget of \$13.4 million to be drawn from the reserve fund, to cover the cost of separation for potentially affected staff; and also allowed the Commission to mobilize the necessary funds (estimated at \$3.6million) from the Partners for recognition payout of contributions to the organization made by staff who cannot be placed following the SACA (Skills Audit Competency Assessment) process.

Charting the Future

We have made progress, but there is still work to be done in realizing our Continent's aspirations and strengthening our Union. We need to work together in 2023 to ensure that we will realize "The Africa We All Want". In line with the momentum of the reform and building on the actions undertaken in 2022, the Commission is committed to accelerating, deepening and streamlining various initiatives in 2023 for the benefit of the collective strategic interests of our Continent.

2022 Financial Statement

In accordance with the AU Financial Rules (FR), subsequent pages of this report present the annual Consolidated financial statements of the African Union for the financial year ended 31 December 2022. The financial statements, accounting policies and the notes have been prepared in compliance with the accrual basis of International Public Sector Accounting Standards (IPSAS). The financial statements provide a complete overview of the African Union's finances and the implementation of the AUC budget for the reporting year, including information on contingent liabilities, financial commitments and other obligations.

Results for the year

The statement of financial performance on **page 18** shows a surplus for the year of **US\$ 11,618,242 (2021: Deficit of US\$3,955,353)**. In accordance with the AU Financial Rules (FR), the amount has been transferred to the General Fund.



H.E. Moussa Faki Mahamat
Chairperson of African Union Commission
Date: 17/05/2023



THE AFRICAN UNION

1. The Organization of African Unity (OAU)

The OAU's main objectives were to: promote the unity and solidarity of African states; coordinate and intensify their cooperation and efforts to achieve a better life for the peoples of Africa; safeguard the sovereignty and territorial integrity of Member States; rid the continent of colonization and apartheid; promote international cooperation within the United Nations framework; and harmonize members' political, diplomatic, economic, educational, cultural, health, welfare, scientific, technical and defense policies. The OAU operated on the basis of its Charter and the 1991 Treaty Establishing the African Economic Community (known as the Abuja Treaty).

Through the 1990s, leaders debated the need to amend the OAU's structures to reflect the challenges of a changing world. The creation of the AU shifted focus from supporting liberation from colonialism and apartheid to spear-heading Africa's development and integration. The vision for the Union included accelerating the process of integration in Africa; supporting the empowerment of African states in the global economy; addressing the multifaceted social, economic and political problems facing the continent; and promoting peace, security, stability, democracy, good governance and human rights.

Three summits were held in the lead up to the official launch of the AU, the:

- Sirte Summit (1999), which adopted the Sirte Declaration calling for the establishment of the AU
- Lomé Summit (2000), which adopted the AU Constitutive Act
- Lusaka Summit (2001), which drew the roadmap for implementation of the AU.

The Durban Summit (2002) launched the AU and convened its first Assembly of Heads of State and Government. A significant number of OAU structures were carried forward into the AU, as were all treaties and conventions. The AU Constitutive Act and protocols also established a significant number of new structures, both at the level of major organs and through a range of new technical and subsidiary committees.

2. The African Union Commission (AUC)

The African Union Commission is the Secretariat to the political structures of the African Union and is headed by the chairman H.E. Moussa Faki Mahamat from Chad. 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.

THE AFRICAN UNION

2. The African Union Commission (continued)

The African Union Commission is located in Addis Ababa, Ethiopia. It has offices across Africa and other countries in Europe, USA and China. The African Union consist of 55 African member states as at 31 December 2022. 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 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 driven and managed by its own citizens 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 which is 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 Ethiopia of African Union Member States;
- The Economic, Social and Cultural Council (ECOSOCC), a civil society consultative body; and
- Peace and Security Council, which has 15 members elected on a regional basis by the Assembly to prevent, manage and resolve conflicts, post conflict peace building and developing common defense policies.

Significant efforts needed rests with Member States. Regional and continental bodies such as Regional Economic Communities (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

2. The African Union Commission (continued)

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)

3. Elected Officials

The African Union Commission elected officials comprises the Chairperson, Deputy Chairperson and six Commissioners, plus staff (Constitutive Act, article 20; Commission Statutes, article 2). The Elected Officials are presented under Commission's information of this report. 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 six portfolios are set out in the Commission Statutes (article 12).

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

1. 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 duties.

2. Budgeting Process

AU budget is prepared on annual basis and considered for approval for all AU organs. The AU budget is considered within the normal budget process which starts with issuance of a budget call, budget circular and guidelines, preparation of the budget framework paper outlining the key priority areas of focus, preparation of project proposals, preparation of budgets, internal reviews mechanism (IPBC and senior management), consideration and approval of project and budget proposals by policy organs, implementation of the approved budget, monitoring and reporting on budget performance. The AU budget is approved by the Executive Council in-line with Rule 15 paragraph 4 and 6 of the Financial Rules and via assembly decision Assembly/AU/Dec.687 (XXX).

2.1 Decision on financing of the African Union and Budget Trends

In July 2016, 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:

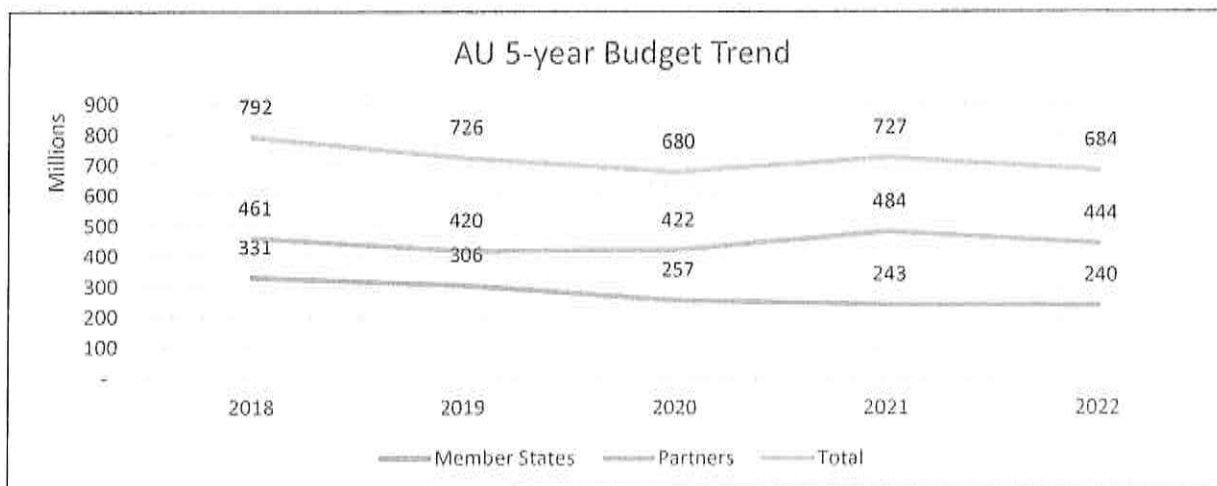
- i. Provide reliable and predictable funding for continental peace and security through the Peace Fund;
- ii. Provide an equitable and predictable source of financing for the Union;
- iii. Reduce dependency on partner funds for implementation of continental development and integration programs; and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

At the reporting date, 17 African Union Member countries were implementing the 0.25% levy in order to meet their assessed contribution to the AU budget. However, the emergence of COVID-19 pandemic affected the capacity of various member countries to implement this decision. The countries reported to be implementing the levy are as follows: Kenya, Gambia, Congo Brazzaville, Gabon, Rwanda, Cameroun, Chad, Sierra Leone, Djibouti, Cote D'Ivoire, Guinea, Benin, Sudan, Ghana, Nigeria, Mali and Togo.

2.2 African Union Budget Trends

The AU budget has been growing over the years. This growth has been primarily driven by the operationalization of specialized technical and regional offices, establishment of new offices, changes in prices of goods and services due to inflation, foreign exchange fluctuations, the approval of new departmental staffing structure for the AU, adoption of new working methods which required one-off upgrade of IT and Communication infrastructure for the conference and management services. This increase has not been in correlation with increase in Member States contribution which has necessitated the AU to explore use of other sources of funds to finance its operations. This has resulted in decrease in resources that could have been appropriated to the reserve fund to cater for any emergent and unforeseen needs. The AU reserve fund is at its low levels compared to the previous years. The Member States financing has continued to be on the lower side as shown in the table below.

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS (continued)



2.3 Decision on 2022 African Union Budget

The AU policy organs adopted US\$684.4 million for AU organs which included the operational budget, program budget and the peace support operations budget. The amount also included the initial budget, supplementary budgets and re-allocations.

Description	Decision Number	Amount (US\$)
Initial Appropriation	EX.CL/Dec.1126(XXXIX)	651,110,573
1st Supplementary Budget	EX.CL/Dec.1143(XL)	1,596,873
2nd Supplementary Budget	EX.CL/ Dec.1(XLII)Rev.2	31,716,255
Revised Budget 2022 Budget		684,423,701

3. 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, and other miscellaneous income.

Member states contribution: The African Union is largely financed by the Member States through annual statutory contributions made in accordance with the scale of assessment approved by the Executive Council.

Development partners: The African Union 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 AU. It includes amount earned from activities such as renting of office space or meeting rooms, revenue from investments and revenue of any other source not described above.

4. Risks and uncertainties.

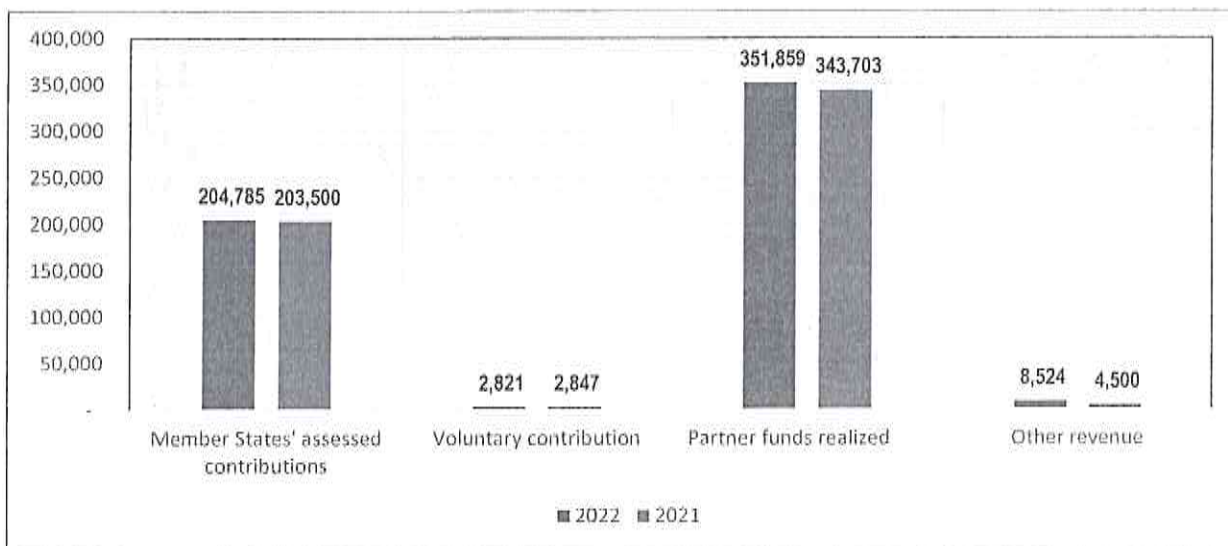
The African continent is exposed to various challenges such as political instability, economic difficulties, and natural calamities like drought, amongst others. As part of its mandate the African Union institutions and bodies mobilize resources to find rapid solutions to such challenges. The financial risk has been analysed in **note 4** to this financial statements.

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS (continued)

5. Financial statement line items analysis

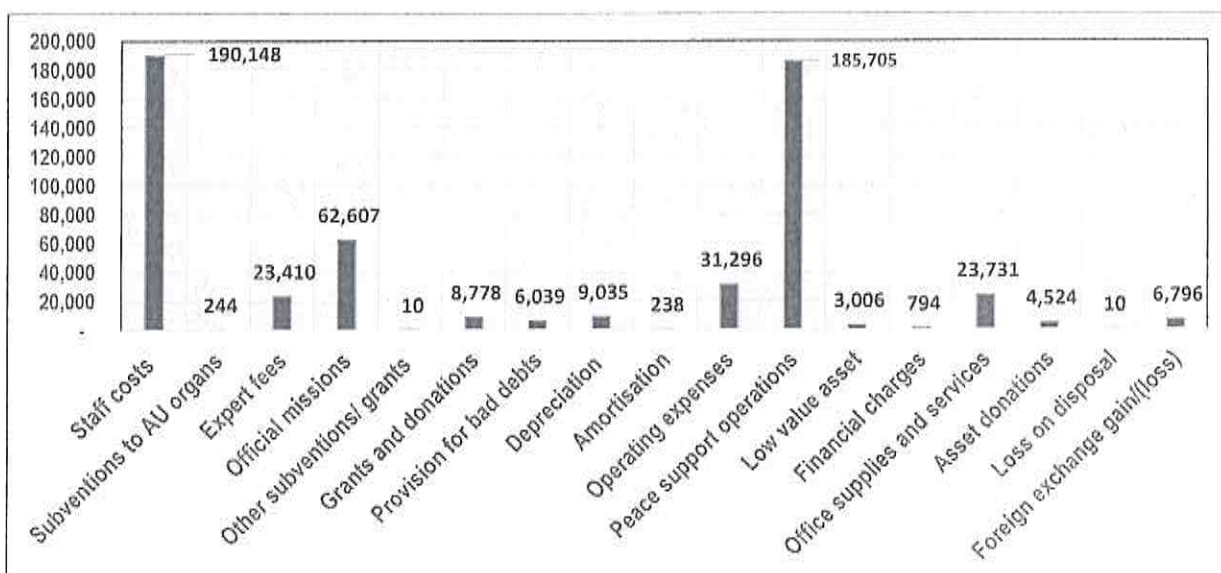
5.1 Revenue

The African Union has four (4) main sources of revenue and this include Member States assessed contribution, voluntary contribution, partner funds and other revenue earned from exchange transactions. Member States assessed contribution and partner funds represent 36% and 62% of the revenue. The remaining revenue sources are about 2%. The table below present the sources of revenue.



5.2 Expenses

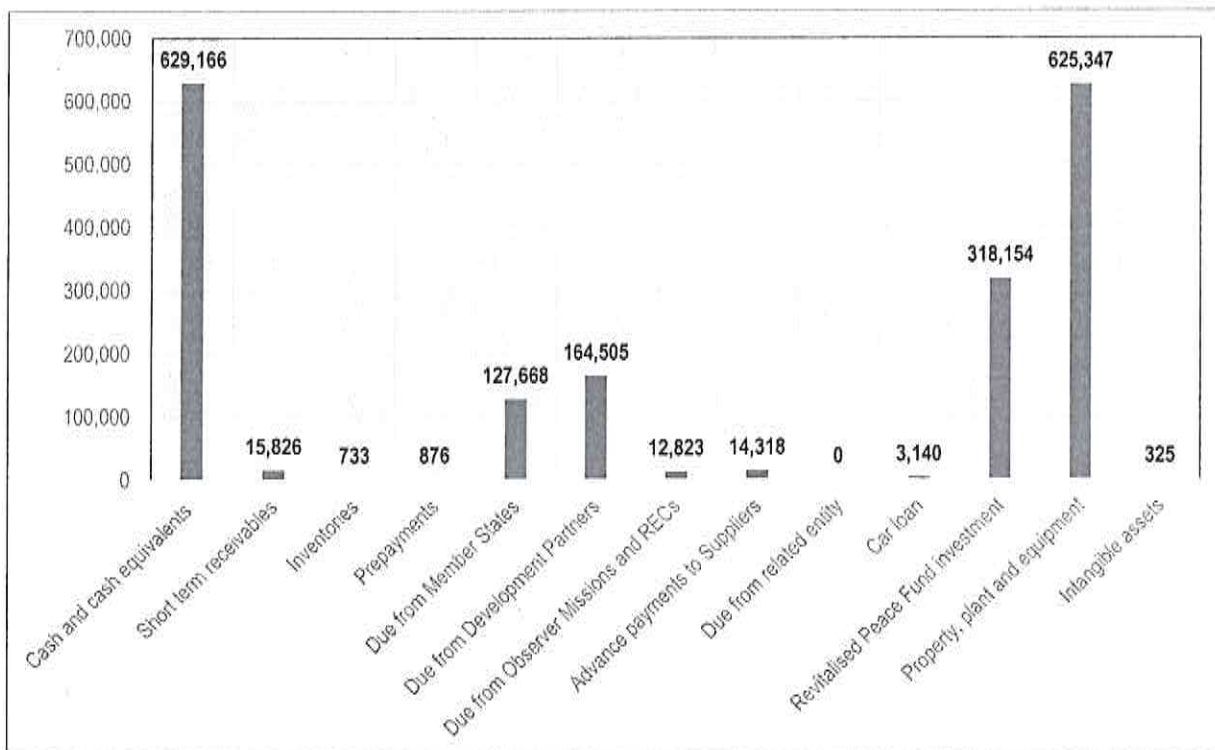
The total expenses of Union for the year was US\$ 556 million compared to prior year of US\$ 559 million. The main expense lines include peace support operations, staff cost, Official Missions and subventions to AU Organs. The main components are presented in the table below:



FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS (continued)

5.3 Assets

The most significant asset of the Union is cash and cash equivalents which amount to US\$629 million representing 33% of the total assets. The property plant and equipment amount to US\$625 million representing 33% of the total assets, while recoverable from partners make up 9% (US\$165 million). The receivable from Member States amounts to US\$ 128 million and represent 7% of total assets. This is illustrated in the table below.



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.

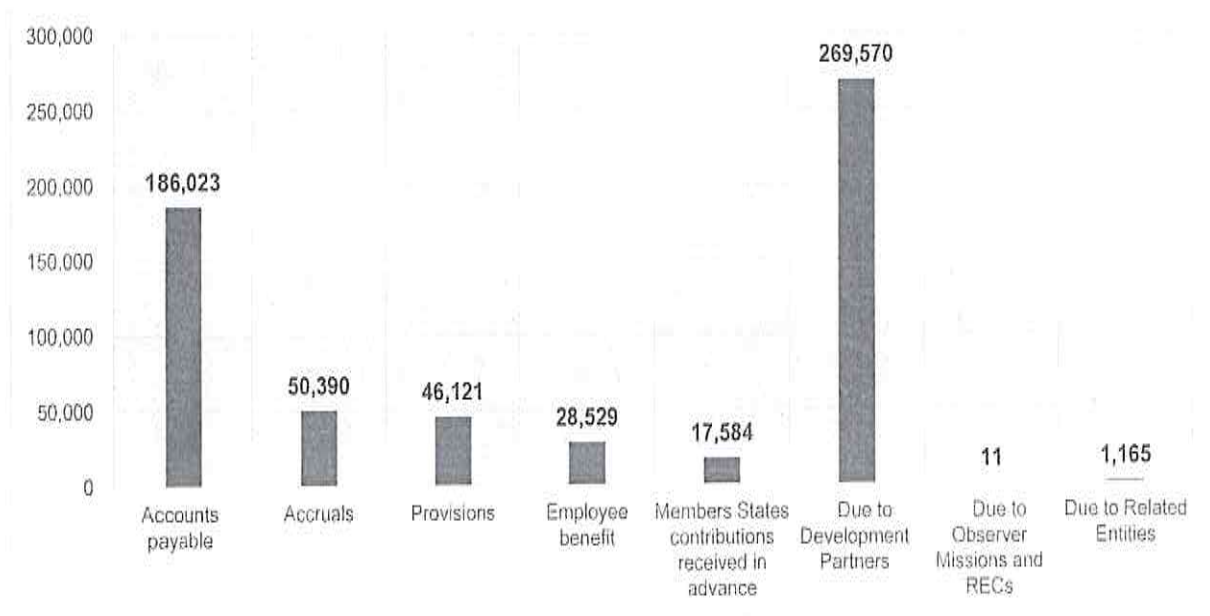
Financial assets

Financial assets of AU are largely cash and bank balances and short term investments.

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS (continued)

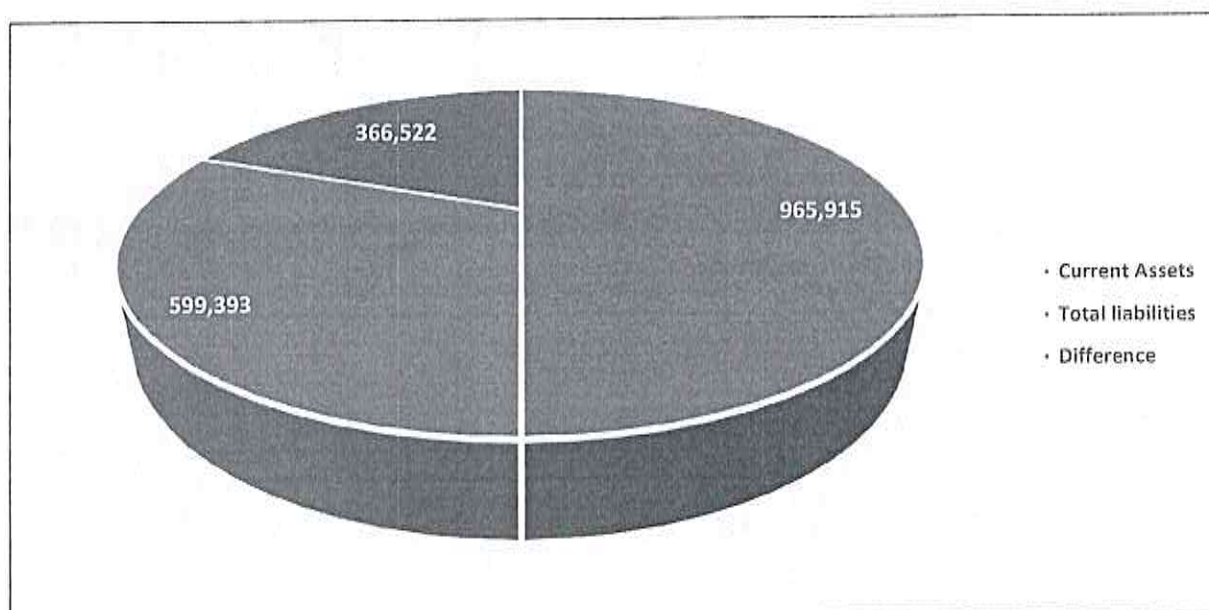
5.4 Liabilities

The liabilities consist of seven main balance items namely unexpended partner funds, accounts payable, accruals, provisions, Member States contribution received in advance, amounts due to Observer Missions and RECs and due to AU Organs- Programme. The liabilities of the Union largely consist of balances presented in the table below:



5.5 Liquidity position

The current assets exceed total liabilities by US\$ 367 million as at the reporting date. The graphs below depict the relationship between the current assets, liabilities and total assets



BOARD OF EXTERNAL AUDITORS

As per Assembly /AU /December.704 (XXXI), 31st Ordinary Session, 1 - 2 July 2018, Nouakchott, Mauritania, Members of the first tier were assigned to audit the African union together with the nominated Heads of Supreme Audit Institutions; one from each region of Africa, appointed by the Executive Council for a two-year term as per Rule 98 of the African Union Financial Rules. As per decision EX.CL/Dec.1104(XXXVII), the Board of External Auditors were appointed to audit 2022 financial statements. The current members of the Board are:

1	Egypt	Chair
2	Morocco	Member
3	Angola	Member
4	Tanzania	Member
5	Algeria	Member
6	South Africa	Member
7	Eswatini	Member
8	Côte d'Ivoire	Member
9	Nigeria	Member
10	Equatorial Guinea (no auditor assigned)	Member

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

REPORT OF MANAGEMENT

The Management of African Union (AU) submits its report together with the audited financial statements for the year ended 31 December 2022.

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of the financial statements comprising the statements of financial position as at 31 December 2022, the statements of financial performance, the statements of changes in net assets, statements of cash flows for the year then ended, and statement of comparison of Budget and Actual and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Public Sector Accounting Standards (IPSAS) and Financial Rules.

Management is responsible for ensuring that the AU keeps proper accounting records that are sufficient to show and explain the transactions of the AU; disclose with reasonable accuracy at any time the financial position of the AU that enables them to prepare financial statements of the AU that comply with prescribed financial reporting framework. It is also responsible for safeguarding the assets of the AU 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. It also accepts 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 AU'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 AU will not remain a going concern for at least the next twelve months from the date of this statement.

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

Approved by Management on 17/5/2023 2023 and signed on its behalf by:




H.E. Dr. Monique Nsanzabaganwa

Deputy Chairperson

African Union Commission

Date:



Edith Akorfa Lumor

Director of Finance

African Union Commission

Date:

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2022	2021
		US\$ '000	US\$ '000
ASSETS			
Current Assets			
Cash and cash equivalents	5	629,166	952,348
Short term receivables	6	15,826	11,926
Inventories	7	733	1,112
Prepayments	8	876	629
Due from Member States	9	127,668	116,888
Due from Development Partners	10	164,505	142,280
Due from Observer Missions and RECs	11	12,823	36,148
Advance payments to Suppliers	12	14,318	8,986
Due from related entity	13	-	2,537
Total Current Assets		965,915	1,272,854
Non-Current Assets			
Car loan	14	3,140	4,446
Revitalised Peace Fund investment	15	318,154	-
Property, plant and equipment	16	625,347	632,121
Intangible assets	17	325	181
Total Non-Current Assets		946,966	636,748
Total Assets		1,912,881	1,909,602
LIABILITIES			
Liabilities			
Accounts payable	18	186,023	234,920
Accruals	19 (a)	50,390	44,028
Provisions	19 (b)	46,121	44,318
Employee benefit	19 (c)	28,529	29,795
Members States contributions received in advance	20	17,584	11,834
Due to Development Partners	21	269,570	296,408
Due to Observer Missions and RECs	22	11	14,516
Due to Related Entities	23	1,165	-
Total Liabilities		599,393	675,819
Net Assets		1,313,488	1,233,783
NET ASSETS			
Working Capital Fund		14,696	14,428
Special Funds	24	541,929	522,129
Reserves		756,863	697,226
Total Net Assets		1,313,488	1,233,783

STATEMENT OF FINANCIAL PERFORMANCE

	Notes	For the year ended 31 December	
		2022	2021
		US\$ '000	US\$ '000
REVENUE			
Revenue from non-exchange transactions			
Member States' assessed contributions	25	204,785	203,500
Voluntary contribution	26	2,821	2,847
Partner funds realized	27	<u>351,859</u>	<u>343,703</u>
		<u>559,465</u>	<u>550,050</u>
Revenue from exchange transactions			
Other revenue	28	<u>8,524</u>	<u>4,500</u>
Total revenue		<u>567,989</u>	<u>554,550</u>
EXPENSES			
Staff costs	29	190,148	197,766
Subventions to AU organs	30	244	61
Expert fees	31	23,410	21,980
Official missions	32	62,607	29,603
Other subventions/ grants	33	10	2,933
Grants and donations	34	8,778	14,464
Provision for bad debts	35	6,039	8,933
Depreciation	15	9,035	9,860
Amortisation	16	238	358
Operating expenses	36	31,296	55,817
Peace support operations	37	185,705	204,624
Low value asset	38	3,006	1,565
Financial charges	39	794	678
Office supplies and services	40	23,731	10,797
Asset donations	41	4,524	-
Loss on disposal	42	<u>10</u>	<u>-</u>
Total expenses		<u>549,575</u>	<u>559,439</u>
Other gains			
Foreign exchange gain/(loss)	43	6,796	(934)
Total expenses		<u>556,371</u>	<u>558,505</u>
Surplus/(deficit) for the year		<u>11,618</u>	<u>(3,955)</u>

African Union
 Consolidated Financial statements
 For the year ended 31 December 2022

STATEMENT OF CHANGES IN NET ASSETS

	Working Capital Fund	Special Funds	Reserves	Total
	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 December 2021	14,428	522,129	697,226	1,233,783
Prior Period Adjustment	-	(29,431)	19,121	(10,310)
As at 1 January 2022	14,428	492,698	716,347	1,223,473
Appropriation for the year	-	10,036	(10,036)	-
Special Fund Revenue	-	90,664	-	90,664
Special Fund Expenses	-	(14,625)	-	(14,625)
Deficit for the year	-	-	11,618	11,618
Deferred Revenue (Donated Assets)	-	-	2,358	2,358
Realized Deferred Revenue (Donated Assets)	-	-	-	-
Transfer from Reserves to Working Capital Fund	268	-	(268)	-
Expense Transfer from Reserves to Special Fund	-	(36,843)	36,843	-
Balance at 31 December 2022	14,696	541,930	756,862	1,313,488

STATEMENT OF CASH FLOWS

	Notes	US\$'000	US\$'000
		2022	2021
Cash flows from operating activities			
Surplus/ (deficit) for the year		11,618	(3,955)
Adjustments for none cash items:			
Depreciation of property, plant and equipment	16	9,035	9,832
Amortization of intangible asset	17	238	386
Asset Donations and Loss on Disposal	41	4,534	-
Provisions		-	8,933
Exchange difference – non cash		-	(4,932)
Year-end appropriations		(10,036)	-
Operating surplus before working capital changes		15,389	10,264
Decrease / (increase) in:			
Short term receivables		(3,900)	1,843
Inventories		379	11
Prepayments		(247)	638
Due from member states		(10,780)	9,243
Due from Partner funds		(22,225)	(123,663)
Due from observer Missions and RECs		23,325	(1,351)
Advance payments to suppliers		(5,332)	23,448
Due from Regional Offices		2,537	1,475
Increase / (decrease) in:			
Accounts payables		(48,897)	81,124
Accruals		6,362	(785)
Provisions		1,803	1,812
Members states contributions received in advance		5,750	(2,794)
Due to Development Partners		(26,838)	25,359
Employee benefit		(1,266)	-
Due to Programme Beneficiaries and RECs		(14,505)	6,077
Due to Regional Offices		1,165	-
Net cash (used in)/ generated from operating activities		(77,280)	32,701

STATEMENT OF CASH FLOWS (continued)

	Notes	US\$'000	US\$'000
		2022	2021
Cash used in investing activities			
Purchase of property, plant and equipment	16	(7,027)	(21,976)
Purchase of intangible assets	17	(382)	(61)
Prior year adjustment		232	5,414
Investment of Peace Fund		(318,154)	-
Long term receivables		<u>1,306</u>	<u>-</u>
Net cash used in investing activities		<u>(324,025)</u>	<u>(16,623)</u>
Cash flows from financing activities			
Movement in Reserve and Special Funds		77,855	69,442
Movement in Working Capital Fund		<u>268</u>	<u>1,218</u>
Net cash flows from financing activities		<u>78,123</u>	<u>70,660</u>
Net decrease/ (increase) in cash and cash equivalents		<u>(323,182)</u>	<u>86,738</u>
Cash and cash equivalents at 1 January	5	<u>952,348</u>	<u>865,610</u>
Cash and cash equivalents at 31 December	5	<u>629,166</u>	<u>952,348</u>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Statement of compliance and basis of preparation

The financial statements of the African Union have been prepared and submitted in line with the Financial Rules of the African Union that was adopted by the Assembly of Heads of States of the African Union on 5 - 6 February 2022 in Addis Ababa, Ethiopia (Assembly/AU/Dec. 821(XXXV)). 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. The financial statements have been prepared on the basis of historical cost except where stated otherwise.

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 principles followed in preparing the financial statements still remain those rules that are laid down in the AU Financial Rules.

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 statement of financial position and statement of financial performance, as well as the disclosures related to financial instruments and contingent assets and liabilities. In accordance with IPSAS 1 and Rule 93 of AU Financial Rules, a complete set of financial statements has been prepared as listed below:

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

1.2 Reporting entity

The African Union Headquarters is located in Addis Ababa, Ethiopia. It has Organs and Offices in Africa, Asia, Europe and North America. The African Union consist of 55 African Member States. 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 Africa and African states, as well as developing partnership worldwide. These financial statements cover the financial statements of all Organs.

1.2.1 Permanent Representational Offices

No	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
7.	The AU Representation Office in China	Beijing, China

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION (continued)

1.2.2 Specialized Agencies and 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.	Centre for Linguistic and Historical Studies by Oral Tradition	Niamey - Niger	CELTHO
10.	African Academy of Languages	Bamako – Mali	ACALAN
11.	African Centre for the Study and Research on Terrorism	Algiers - Algeria	ACSRT
12.	International Coordination Bureau for the Management of Fouta Djallon Mountains	Conakry - Guinea	AUBCI-FDH
13.	African Mechanism for Police Cooperation	Algiers - Algeria	AFRIPOL
14.	African Institute of Remittances	Nairobi, Kenya	AIR
15.	African Union Sports Council	Yaoundé, Cameroon	AUSC
16.	African Migration Observatory – Morocco	Rabat, Morocco	
17.	Pan African Institute for Education for Development	Kinshasa- Congo	IPED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

1.2.3 Liaison Offices and Peace Support Offices (PSO)

	Name	Headquarter
1.	African Union Mission in Burundi and the Great Lakes	Bujumbura – Burundi
2.	African Union Liaison Office for CAR & Central Africa (MISAC)	Bangui- Central African Republic
3.	Multinational Joint Task Force (MNJTF)	Ndjamena, Chad
4.	African Union Liaison Office to Cote d'Ivoire	Abidjan - Côte d'Ivoire
5.	African Union Liaison Office to Guinea Bissau	Bissau - Guinea Bissau
6.	African Union Liaison Office to DRC	Kinshasa - DR Congo
7.	African Union Liaison Office to Libya	Tunis – Tunisia*
8.	African Union/Southern African Development Community (SADC) Liaison Office	Antananarivo – Madagascar
9	African Union Mission for Mali and Sahel Region (MISAHEL)	Bamako – Mali
10	African Union Liaison Office to Chad	N'Djamena – Chad
11	African Union Mission in Somalia (AMISOM), Changed to AMIS in April 2022	Mogadishu – Somalia
12.	African Union Liaison Office to South Sudan	Juba - South Sudan
13.	African Union Liaison Office- Sudan	Khartoum – Sudan

With the exception of ATMIS and MNJTF which are PSOs, the remaining Offices are Liaison Offices. The African Union Liaison Office in Libya was relocated to Tunisia on 23 September 2014 due to the unstable political situation in Libya. The relocation was approved by Peace and Security Council.

1.2.4 Pan African Universities (PAUs)

	Name	Headquarter	Abbreviation
1	PAU Rectorate, PAU HQ	Yaoundé – Cameroon	Rectorate
2	The Institute for Basic Sciences, Technology and Innovation, hosted by the Jomo Kenyatta University of Agriculture and Technology (Eastern Africa)	Nairobi, Kenya	PAUSTI
3	The Institute for Life and Earth Sciences including Health and Agriculture, hosted by the University of Ibadan(Western Africa);	Ibadan, Nigeria	PAULESI
4	The Institute for Governance, Humanities and Social Sciences hosted by the University of Yaoundé II (Central Africa);	Yaoundé – Cameroon	PAUGHSS
5	The Institute for Water and Energy Sciences, including Climate Change hosted by the University of Tlemcen (Northern Africa);	Tlemcen in Algeria	PAUWES
6	The Institute for Space Sciences to be hosted by the Cape Peninsula University of Technology with seven (7) south African Universities (Southern Africa).The Office is not operational yet.	South Africa	PAUSS

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

1.2.5 AU Offices at various stages of establishment

Listed below are AU Offices established by the Assembly that are in various stages of operationalization in the designated locations and the expenses are accounted for under the African Union Headquarters at the reporting date.

No	Name	Country	Abbreviation
1.	African Centre for the Study and Research on Migration	Mali , Bamako	ACSRM
2.	Continental Operational Centre	Khartoum, Sudan	COO
3.	Pan-African Training Centre for statistics	Côte d'Ivoire	PANSTAT
4.	Post-Conflict Reconstruction Center	Cairo, Egypt	PCRD

1.2.6 AU Organs

Organ	Country	Abbreviation
The African Committee of Experts on the Rights and Welfare of the Child	Lesotho	ACERWC
Pan African Parliament(PAP)	South Africa	PAP
African Court on Human & Peoples' Rights (AfCHPR)	Tanzania	AfCHPR
African Commission on Human & Peoples' Rights (ACHPR)	Gambia	ACHPR
Economic, Social & Cultural Council (ECOSOCC)	Zambia	ECCOSOC
New Partnership for Africa Development (NEPAD)	South Africa	NEPAD
African Union Advisory Board on Corruption (AUABC)	Tanzania	AUABC
African Peer Review Mechanism (APRM)	South Africa	APRM
African Continental Free Trade Area (AfCFTA)	Ghana	AfCFTA
Africa Centre for Disease Control and Prevention (Africa CDC)	Ethiopia	CDC

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Changes in accounting policy and disclosures

a. New standard and amendments adopted by African Union

IPSAS 41, Financial Instruments

IPSAS 41, Financial Instruments, establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. The International Public Sector Standards Board approved IPSAS 41, Financial Instruments, in June 2018 and issued in August 2018.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The standard was effective 1 January 2022. Although early adoption is permitted, AU did not apply this standard until 2022 reporting year. Having completed its initial assessment of accounting requirements under IPSAS 41, AU concluded that except for the change in measurement basis of financial assets and liabilities, there were no material change that will affect its financial statements.

b. Standards issued but not yet effective:

IPSAS 43, Leases

IPSAS 43, Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. IPSAS 43 was issued on 31 January 2022 and it is effective 1 January 2025. Although early adoption is permitted, AU did not apply this standard in this reporting year.

IPSAS 44, Non-Current Assets Held for Sale and Discontinued Operations

IPSAS 44 was issued on 4 May 2022 and it is effective 1 January 2025. The purpose of the standard is to provide the accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations. The standard was not applied at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency

(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 tangible assets, retain their value in US dollars at the rate that applied at the date when they were purchased.

(c) Other transactions

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

(d) Year end balances

Year end balances of monetary assets and liabilities denominated in foreign currencies are converted into US Dollar on the basis of the UN exchange rate applying as at the year end. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in surplus or deficit within 'financial charges'.

2.3 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 AU, and if the item's cost or fair value can be measured reliably.

Donated property, plant and equipment are recognized as an asset at fair market value or at a reasonable proxy of market value at the date of acquisition. Assets under construction (Work in progress) are carried at cost less any recognized impairment loss. Cost includes professional fees and other costs directly attributable to the completion of the assets. Assets under construction (Work in Progress) are not depreciated as these assets are not yet available for use.

Property, plant and equipment with a value greater than US\$3,000 are recognized as non-current assets in the Statement of Financial Position. Self-constructed asset is subject to a capitalization threshold of US\$30,000. Assets below this threshold are referred to as low value assets and they are expensed upon purchase, as per African Union PPE policy. Subsequent to initial recognition, property, plant and equipment is stated at historical cost, less accumulated depreciation and any impairment losses. AU considers all Property Plant and Equipment to be non-cash generating. Depreciation is calculated on a straight-line basis over the asset's useful life except for land and assets under construction which are not subject to depreciation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful life using the straight-line method, based on the following rates:

Asset category	Useful life(years)	Useful life (%)
Buildings	50	2
Infrastructure assets	50	2
Printing and publishing equipment	20	5
Heavy wheeled vehicle and engineering support equipment	12	8.33
Specialized 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
IT equipment	4	25
Office equipment	4	25

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Heritage assets

The Union describes assets such as historical buildings and monuments, archaeological sites, conservation areas and nature reserves and works of art as heritage assets. The Union discloses but does not recognize heritage assets that would otherwise meet the definition of and recognition criteria for property, plant and equipment.

2.5 Intangible assets

Intangible assets are resources without physical substance controlled by an entity. Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their face value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. AU considers the cost threshold as listed below during recognition of intangible assets:

Externally acquired Intangibles

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

Internally Developed intangibles

- Custom developed software – US\$10,000
- Copyrights – US\$10,000

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 is charged to expense when incurred. The Union expense research costs incurred. Development costs on projects are recognized as intangible assets when the Union and its related entities can demonstrate: the technical feasibility of completing the asset, so that the asset will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits or service potential; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during development.

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life is amortized over its useful life over 3 years. Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit at the expense category that is consistent with the nature of the intangible asset. Intangible assets with indefinite useful lives are not amortized.

The useful lives of intangible assets with indefinite useful lives are reviewed at each reporting period to determine whether events and circumstances continue to support their indefinite useful life assessment. Where they do not, the change in the useful life assessment from indefinite to finite are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized. Internally generated goodwill including internally generated brands, mastheads, publishing titles, lists of users of a service and items similar in substance are not recognized as an asset because it is not an identifiable resource controlled by the Union that can be measured reliably at cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use of the asset.

(a) African Union as a lessee

i. Finance leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Union. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Union also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in statement of financial performance.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that AU will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

ii. Operating leases

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

(b) African Union as a lessor

i. Finance leases

Assets leased to customers under agreements, which transfer substantially all the risks, and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

ii. Operating leases

Assets leased to customers under agreements, which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. The leased assets are included within property, plant and equipment on the statement of financial position and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight line basis over the period of the lease in statement of financial performance unless another systematic basis is more appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 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-cash-generating assets, the Union assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, an estimates the asset's recoverable service 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 statement of financial performance.

2.8 Receivables and recoverable

AU financial rules requires a separate presentation of exchange and non-exchange transactions in accordance with IPSAS. For the purpose of this financial statements, receivables are defined as stemming from exchange transactions and recoverables are defined as stemming from non-exchange transactions.

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly. Receivable from exchange transactions are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that AU will not be able to collect all amounts due according to the original terms.

Recoverables from non-exchange transactions are carried at original amount less write-down for impairment. A write-down for impairment of recoverables from non-exchange transactions is established when there is objective evidence that the Union will not be able to collect all amounts due according to the original terms of recoverables from non-exchange transactions. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance. A general write-down, based on past experience, is also made for outstanding recovery orders not already subject to a specific write-down.

Amounts disclosed as recoverables from non-exchanges transactions are not financial instruments as they do not arise from a contract that would give rise to a financial liability or equity instrument. However, in the notes to the financial statements, recoverables from non-exchange transactions are disclosed together with receivables from exchange transactions where appropriate. Receivables and recoverables are classified as current assets if payment is due within one year or less. If not, they are presented as non-current assets.

2.9 Cash and 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 banks at the end of the financial year. Cash and cash equivalents are financial instruments and classified by the Union as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 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 and net realizable value. Inventories held for use or distribution at no/ nominal charge is measured at lower of cost or current 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 are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Union. Inventories at the end of the financial year are valued using weighted average method.

2.11 Accounts payable

A significant amount of the accounts payables 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. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable are recognized at fair value.

2.12 Financial instruments

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. The Union 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. Except for short term receivables and payables, all financial instruments are measured initially at their fair value.

a. Financial assets

Classification

The Union classifies its financial assets into financial assets at fair value through surplus or deficit ("FVSD") and Financial assets at amortised cost. The classification of financial instruments is based on contractual cash flows characteristics and models through which financial instruments are managed (business model).

Recognition of financial assets

A financial asset is recognised in the statement of financial position when, and only when, the Union becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on trade date, being the date on which the Union commits to purchase or sell the financial assets. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at FVSD, transaction costs that are directly attributable to the acquisition of the asset. Transaction costs that are not recognised as part of the financial asset are expensed in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at FVSD are subsequently carried at fair value. Financial assets at amortised cost is recognised initially at fair value and subsequently carried at amortised cost, using the effective interest method less provision for impairment. Impairment losses are presented in the statement of financial performance. Any gain or loss arising on derecognition of assets at amortised cost is recognised directly in the statement of financial performance as well as foreign exchange gains and losses.

Impairment of financial assets

For financial assets at amortised cost, the Union applies the IPSAS 'Financial Instruments' approach to measuring expected credit loss ("ECL") which uses a lifetime expected loss allowance from initial recognition of the receivables. These balances are written off when there is no reasonable expectation of recovery. Impairment losses on receivables are presented as net impairment losses within Surplus or Deficit for the period. Subsequent recoveries of amounts previously written off are credited against the same line item.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Union has transferred substantially all the risks and rewards of ownership. The Union also derecognises a financial asset when the Union retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

Realised and unrealised gains and losses

Realised and unrealised gains and losses arising from changes in the value of financial assets at FVSD are included in the statement of financial performance in the period in which they arise. Interest and dividend income arising on financial assets are disclosed separately in the statement of financial performance.

Offsetting

Financial assets and liabilities are set off and the net balance reported in the statement of financial position where there is a legally enforceable right to set off, where it is the intention to settle on a net basis or to realise the asset and settle the liability simultaneously, where the maturity date for the financial asset and liability is the same, and where the financial asset and liability are denominated in the same currency.

b. Financial liabilities

The African Union classifies its financial liabilities into the following categories:

- Financial liabilities at FVSD
- Financial liabilities at amortised cost

The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at FVSD

A financial liability is recognised in the statement of financial position when, and only when, the Union becomes a party to the contractual provisions of the instrument. Issues and settlements of financial liabilities are recognised on trade date, being the date on which AU commits to issuing or settling the financial liabilities. The fair value of financial liabilities quoted in active markets is based on current market prices. Alternatively, where an active market does not exist, fair value is derived from cash flow models or other appropriate valuation models allowing for the AU's own credit risk. These include the use of arm's-length transactions, DCF analysis, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market input and relying as little as possible on entity-specific input.

Financial liabilities mandatorily at FVSD are recognised initially at fair value, with transaction costs being expensed in the statement of financial performance, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the value of financial liabilities at FVSD are included in the statement of financial performance in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities that are not at FVSD are measured at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value, net of transaction costs incurred. These financial liabilities are then subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the liability using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of financial performance.

The specific financial instruments of African Union and their measurements are presented below:

<i>Financial instrument</i>	<i>Initial recognition</i>	<i>Subsequent measurement</i>
<i>Revitalised Peace fund investments</i>	<i>Fair value</i>	<i>Fair value through surplus or deficit</i>
<i>Accounts receivable</i>	<i>Fair value</i>	<i>Amortized cost</i>
<i>Accounts payable</i>	<i>Fair value</i>	<i>Amortized cost</i>

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Provisions and contingent liabilities/ assets

a) Provisions

Provisions are recognized when AU 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.

b) Contingent liabilities

AU does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c) 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 AU 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.

2.14 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 Working Capital Fund, Special Funds, Trust Funds and Peace Fund.

(a) Working Capital Fund

A Working Capital Fund is established out of the cash reserves of the Union to provide money necessary to meet commitments pending receipt of contributions due from Member States as per Financial Rules 34. The Working Capital Fund shall not be less than one (1) month operational budget of the Union. Withdrawals from the Working Capital Fund may be made only for the purposes set in paragraph (1) above and on the basis of written authorization of the Accounting Officer. Withdrawals from the Working Capital Fund to finance budget allocations during any financial period shall be paid back into the Working Capital Fund as soon as collections of Member States' contributions are received. Except in cases where such funds may be recovered from extra budgetary funds or other authorized sources, all withdrawals from the Working Capital Fund for unforeseen or extra-ordinary expenses or for any other purpose, shall be reimbursed by means of appropriations through budget revisions or adjustments. End of every year, balance of working capital is checked to ensure its equivalent to one month's operation budget, which is adjusted after internal audit in the beginning of 2nd quarter of the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Special Funds

This has been established as Rule 30 of the AU Financial Rules. The Accounting Officer upon the approval of Policy Organs may establish special funds for specific purposes. Transfers to the Special Fund may also come through direct annual budgetary allocations. The purpose and limits of any Special Fund shall be clearly defined by the Accounting Officer and shall be consistent with the purposes and objectives of the Union.

(c) Peace Fund

Peace Fund is guided by Rule 36 of the Financial Rules. In accordance with Article 21 of the Protocol Establishing the Peace and Security Council, a Peace Fund was established to provide financial resources for mediation and preventive diplomacy, institutional capacity and peace support operations. The Peace Fund shall be financed through:

- a) Statutory contributions from Member States to the initial endowment of US\$400M;
- b) Statutory contributions from Member States;
- c) Contributions from Development Partners in line with Rule 27 of this FR;
- d) Voluntary contributions from Member States;
- e) Revenue from investment of the Peace Fund;
- f) Contributions from African private sector and any other sources as may be approved by the Accounting Officer provided they are consistent with the objectives and principles of the Union.

(d) Peace Revolving Trust Fund

The Peace Revolving Fund is a cash flow mechanism to:

- (a) Ensure rapid response of the AU during the start-up-phase of new peacekeeping operations.
- (b) Fund expansion of existing peace support opportunities.
- (c) Meet any unforeseen and extraordinary expense requirements to peacekeeping operations.

Statutory contributions by Member States are due 1st of January of the financial year. Specific provisions are made for all known long outstanding contributions receivables from Member States.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Revenue

AU's revenue consists of both revenues from non-exchange and exchange transactions. Revenue is recognized when the amount of revenue can be reliably measured; it is probable that the economic benefits associated with the transaction will flow to the entity; and specific criteria have been met for each of the AU's activities. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized on an accrual basis in the period in which it accrues.

(a) Revenue from non-exchange transactions

Revenue from non-exchange transactions consists of Member States assessed contributions, voluntary contributions and partner funds.

i. Member States Assessed contributions

In accordance with IPSAS requirements reflecting the nature of the AU'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 is recognized at the beginning of each year when AU assess Member States contributions and sends out a call for funds to the Member States claiming their contribution. They are measured at their "called amount".

ii. Voluntary contributions

Revenue from voluntary contributions is recognized upon the signing of a binding agreement between AU 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.

iii. Partner funds

The Union receives funds from various development partners to fund specific programmes. Funds from these partners are recognized as a current liability in the statement of financial position (unexpended partner funds). Revenue is realized in the statement of financial performance upon expending the partner funds. Revenue is recognised upon receipt of the funds into the specified bank account or upon fulfilment of the requirements agreed on, in writing with the development partners in respect of the inflow. Asset is only recognised when it is probable that the future economic benefits or service potential associated with the asset will flow to the Union or its related entities and the fair value of the asset can be measured reliably.

Where there are conditions attached that give rise to a liability to repay any unspent amount, deferred revenue is recognised up to the point where the revenue criterion is met. Expenses incurred are recognised as revenue to the extent that these costs reflect services to the statement of financial performance in the year that the eligible cost is incurred. Where AU receives resources before a transfer arrangement becomes binding, the resources are recognized as an asset when they meet the definition of an asset and satisfy the criteria for recognition as an asset. The Union also recognise an advance receipt liability if the transfer arrangement is not yet binding. Advance receipts in respect of transfers are not fundamentally different from other advance receipts, so AU recognise liability until the event which makes the transfer arrangement binding occurs and all other conditions under the agreement are fulfilled. When that event occurs and all other conditions under the agreement are fulfilled, the liability is discharged and revenue is recognised. In a case where pre-financing is permitted by the funding (binding) agreement entered between AU and the development partner, owing funds from the partner(s) at the end of the reporting period are recognized as partner funds receivable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Revenue from other non-exchange transactions

Revenue from other non-exchange transactions comprises donation in cash or in-kind by organisations and individuals. Cash donations are recognised when received into the Union's designated bank account while in-kind donations are recognised as revenue and assets when it is probable that future economic benefits or service potential associated with the donation will flow to AU and the fair value can be measured reliably.

Donation in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If donation in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized and revenue recognized as the conditions are satisfied.

AU does not recognise but discloses services in kind in its financial statements. Payments made by external parties from which AU benefits as third party are not recognised in the financial records of AU. Where material, AU may disclose.

c. Revenue from exchange transactions

Revenue from exchange transactions include interest income, sale of assets, income from the Union's clinic, rental income and such 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 each period. Revenue from the use of the Union's facilities and other income is recognized as revenue when earned.

2.16 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. Expenses are recognized when the transaction or event causing the expense occurs.

2.17 Employee benefits

(a) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. It includes wages and salaries (including non-monetary benefits) and accumulated annual leave, which 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.

(b) Post-employment benefits

Defined contribution plan is the post-employment benefit used by African Union

Defined contribution plan is a pension plan under which AU pays fixed contributions to a scheme. The Union recognizes post-employment benefits for Regular Staff through a defined contribution plan and money is kept in Chase bank. AU has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The defined contribution scheme is operated for all staff except for short term staff. Obligations for contributions to defined contribution plans are recognised as an expense in statement of financial performance when they are due.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Termination benefits

Termination benefits are recognised as an expense when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Union has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

2.18 Taxation

AU is exempted from the payment of taxes as per the host agreement.

2.19 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 AU's reporting currency (US\$), by applying to the foreign currency amount the exchange rate between the US\$ 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. 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 disclosed below.

(a) Impairment of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of tangible assets. The Union reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash-generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

The Union reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, AU undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

(b) Useful lives and residual values

Critical estimates are made by the Management in determining depreciation rates for property, plant and equipment. The rates used are set out in **note 2.3**. 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

Changes in these factors could affect the reported amount.

(c) 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. Changes in assumptions about these factors could affect the reported amount of provisions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(d) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. FINANCIAL RISK MANAGEMENT

The Union's activities involve taking on risks in a targeted manner and managing them professionally. The core functions of the Union's risk management are to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The Accounting Officer of AU has overall responsibility for the establishment and oversight of the risk management policy. The Directorate of Finance is responsible for risk management and report to the Accounting Officer. The Directorate regularly reviews its risk management policies and systems to reflect best practice. Risk management is also carried out by the various departments and offices of the AU under policies approved by the Permanent Representative and the Executive. The Union's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. Through its risk management structure, the Union seeks to manage efficiently the core risks which affects its operations. The specific risk areas covering financial management which have been identified as requiring adequate monitoring and assessment include:

Financial risks	Non-financial risks
• Credit risk	• Operational risk
• Liquidity risk	• Human resource risk
• Market risk	• Reputation risk

(a) Credit risk

Credit risk is the risk of financial loss to AU if member states, development partners or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from cash and cash equivalents, investments, accounts receivable and recoverable from the member states assessed contribution and partner funds. Management of the credit risk is through the choice of depository banks and invested instruments. The Union's choice of depository banks is confined to credit worth local and international banks that meet the set eligibility criteria of financial soundness. Therefore, the Union 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. The Union's maximum exposure to credit risk at the end of the reporting date is as follows:

	2022	2021
	US\$'000	US\$'000
Cash and cash equivalents (Note 5)	629,166	952,348
Short Term Receivables (Note 6)	15,826	11,926
Due from Member States (Note 9)	127,668	116,888
Due from Development Partners (Note 10)	164,505	142,280
	<u>937,165</u>	<u>1,223,442</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FINANCIAL RISK MANAGEMENT (continued)

The Union has no credit risk exposures relating to off balance sheet items.

At 31 December 2022, the Union's credit exposures on accounts receivable/recoverables were categorised as follows:

- Exposures that are neither past due nor impaired;
- Individually impaired facilities.

The balances for accounts receivable and recoverables category have been analysed below:

	2022	2021
	US\$'000	US\$'000
Neither past due nor impaired	285,774	271,094
Allowance for impairment	<u>43,368</u>	<u>37,334</u>
Gross	<u>329,142</u>	<u>308,428</u>

(b) Liquidity

Liquidity risk is the risk that the Union will not be able to meet its financial obligations as they fall due. The Union manages liquidity risk by maintaining adequate cash reserves. Prudent liquidity risk management includes maintaining sufficient cash balances for the payment of obligations as they fall due. In addition, the Union's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets required to meet these obligations, monitoring statement of financial position liquidity ratios against best practice, internal and external regulatory requirements and maintaining debt financing plans.

The table below presents the amounts payable by the Union under non-derivative financial liabilities and assets held for managing liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FINANCIAL RISK MANAGEMENT (continued)

At 31 December 2022					
	0-3 months	3-6 months	6-12 months	Over 12 months	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Liabilities					
Accounts payables	60,591	40,100	62,188	23,144	186,023
Accruals	20,400	15,500	14,490	-	50,390
	<u>80,991</u>	<u>55,600</u>	<u>76,678</u>	<u>23,144</u>	<u>236,413</u>
Total Liabilities					
Assets					
Cash and cash equivalents	629,166	-	-	-	629,166
Investments	-	-	-	318,154	318,154
Total assets held for managing liquidity risk	<u>629,166</u>	-	-	<u>318,154</u>	<u>947,320</u>
Net position	<u>548,175</u>	<u>(55,600)</u>	<u>(76,678)</u>	<u>295,010</u>	<u>710,907</u>

At 31 December 2021					
	0-3 months	3-6 months	6-12 months	Over 12 months	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Liabilities					
Accounts payables	188,617	-	-	46,303	234,920
Accruals	73,823	-	-	-	73,823
	<u>262,440</u>			<u>46,303</u>	<u>308,743</u>
Total Liabilities					
Assets					
Cash and cash equivalents	952,348	-	-	-	952,348
Total assets held for managing liquidity risk	<u>952,348</u>	-	-	-	<u>952,348</u>
Net position	<u>689,908</u>			<u>(46,303)</u>	<u>643,605</u>

Assets held for managing liquidity risk

The Union holds a diversified portfolio of cash and high-quality highly-liquid investment securities to support payment obligations and contingent funding when needed. The Union's assets held for managing liquidity risk comprise cash and bank balances and investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

The Union's is exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk. The Director of Finance is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies. Market risk comprises foreign exchange risk, interest rate risks and price risk.

(i) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The positions of currencies held are monitored on a periodic basis. The objective of monitoring the position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The Union's policy to manage foreign exchange risk is to hold foreign currency bank accounts for foreign denominated transactions. The Union's exposure results from the following currencies; Euro, Ethiopian Birr (ETB) and Great Britain Pound (GBP). Included in the balance sheet are assets and liabilities at carrying amounts in various currencies at the reporting date.

The Union's principal foreign currency exposures are to the Euro, Ethiopian Birr (ETB) and Great Britain Pound (GBP). The table below illustrates the hypothetical sensitivity of reported surplus to a 15% (2021: 15%) decrease in the value of the US\$ against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the Union's assessment of a reasonably possible change, based on historic volatility.

	Impact on statement of financial performance	
	31 December 2022	31 December 2021 2021
US\$ weakens by 15%		
Euro	1,828	731
ETB	1,123	449
GBP	1,255	502
	<u>4,205</u>	<u>1,682</u>

The strengthening of the US\$ will produce symmetrical results.

(ii) Interest rate risk

Interest rate risk is the exposure of current and future earnings to adverse changes in the level of interest rates. AU's interest rate risk arises from interest on short term investments and deposits held with commercial banks. The revenue generated from short term investments and call deposits at the reporting period and the prior period is minimal for any change in interest rates to have material impact on the financial performance of the Union.

(iii) Price risk

AU does not hold any financial instrument subject to price risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FINANCIAL RISK MANAGEMENT (continued)

(iv) Fair value hierarchy

IPSAS 41 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities.
- **Level 2** – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. AU considers relevant and observable market prices in its valuations where possible

NOTES TO THE FINANCIAL STATEMENTS (continued)

5	Cash and cash equivalents	2022	2021
		US\$'000	US\$'000
	Cash on hand	198	671
	Cash at bank	484,630	573,454
	Short term investments	185	393
	Fixed term investments	<u>144,153</u>	<u>377,830</u>
		<u>629,166</u>	<u>952,348</u>

The Short term investments represent amounts invested with JP Morgan Chase Bank in New York and ING Bank in Brussels, Belgium. The deposits earn varying interest rates. Fixed term investments represents amounts invested with ECOBANK for 3 months at agreed upon interest rates.

6 Short term receivables

	2022	2021
Advance recoverable from Staff Members	1,386	-
Car loan	4,856	3,108
Travel and imprest advances	2,214	2,772
Salary and housing allowance advances	2,500	3,836
Imprest advance - Women Fund	327	327
Vat receivable	3,692	3,630
Troop Contributing Countries	944	-
Staff Other Advances	1,461	881
Sundry receivables	560	(183)
Receivables from Member States	1,364	364
Receivables from Non Member States	<u>23</u>	<u>-</u>
	<u>19,327</u>	<u>14,735</u>
Provision for Bad Debts- Other receivables	<u>(3,501)</u>	<u>(2,809)</u>
	<u>15,826</u>	<u>11,926</u>

7 Inventories

	2022	2021
Stationery and office supplies invoice	300	499
Uniforms and household materials	1	1
Fleet maintenance and parts	-	10
Refreshments and beverages	11	11
Maintenance materials	51	55
Printing plant materials	150	174
Information technology materials and accessories	17	79
Medical product and supplies	56	69
Military product and supplies	53	53
Slow moving Items	6	6
Fuel	<u>88</u>	<u>155</u>
	<u>733</u>	<u>1,112</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

8	Prepayments	2022	2021
		US\$'000	US\$'000
	Rent prepayment	407	303
	Education	81	119
	Insurance prepayment	302	129
	Other prepayments	21	12
	Litigation prepayments	<u>65</u>	<u>66</u>
		<u>876</u>	<u>629</u>

Other prepayments mainly relate to prepayment for communications and subscriptions.

9	Due from Member States	2022	2021
	Outstanding Member States contribution	164,590	148,310
	Provision for bad debts- Member States' assessed contributions	<u>(36,922)</u>	<u>(31,422)</u>
	Outstanding Member States contribution	<u>127,668</u>	<u>116,888</u>
	Movement on the provision for impairment of outstanding member states contribution is as follows:		
	At start of year	31,422	22,630
	Provision in the year	<u>5,500</u>	<u>8792</u>
	At end of year	<u>36,922</u>	<u>31,422</u>

10	Due from Development Partners	2022	2021
	Receivables from partners	167,450	145,383
	Provision for bad debts	<u>(2,945)</u>	<u>(3,103)</u>
		<u>164,505</u>	<u>142,280</u>

11	Due from Observer Missions and RECs	2022	2021
	Head Quarter	11,879	36,626
	Regional Offices	49	49
	Organs	1,496	74
	Provision for Bad Debts - Programme Beneficiaries	<u>(601)</u>	<u>(601)</u>
	Due from beneficiaries & RECS - net	<u>12,823</u>	<u>36,148</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

12	Advance payments to suppliers	2022	2021
		US\$'000	US\$'000
	Advance payments to suppliers	16,578	11,246
	Provision for doubtful debts	(2,260)	(2,260)
		<u>14,318</u>	<u>8,986</u>

13	Due from related entity	2022	2021
		-	2,538

Due from related entity represent amounts due from African Union Offices and Organs at the reporting date.

14	Car loan	2022	2021
	Car loan- Non current	3,140	4,446
	Car loan- Current	<u>4,856</u>	<u>2,346</u>
		<u>7,996</u>	<u>5,772</u>
	Car loan is an advance given to Regular Staff in accordance with Staff Rules and Regulations (SRR). The advance is repayable within a maximum period of 48 months. The total amount at the reporting date has been classified into current and non-current. Current portion is included in short term receivables (Note 6) while the non-current portion is presented separately in the face of the financial statements.		

15	Revitalised Peace Fund investment	2022	2021
		US\$'000	US\$'000
	Revitalised Peace Fund	312,985	-
	Crisis Reserve Facility	<u>5,169</u>	-
		<u>318,154</u>	-

In April 2022, the contracting process for Fund Managers was finalized. Investment for Peace Fund management was awarded to Old Mutual Investment Group (South Africa) and Sanlam Investments East Africa Limited (Kenya). At the reporting date, an amount of US\$315,031,603 has been transferred to the Fund Managers for investment purposes. The fair value increment on the investments amounted to US\$3,122,357. The fair value for Revitalised Peace Fund and Crisis Reserve Facility as at 31 December 2022 are presented below

15.1 Fair value of Peace Fund investment portfolio

	Revitalised Peace Fund	Crisis Reserve Facility	Total
	US\$'000	US\$'000	US\$'000
Investments at face value	310,132	4,900	315,032
Fair value increment	<u>2,953</u>	<u>169</u>	<u>3,122</u>
	<u>313,085</u>	<u>5,069</u>	<u>318,154</u>

In line with African Union's accounting policy on financial instruments, the investment portfolio which include restricted cash, treasury bills, fixed deposits and bonds were measured at fair value through surplus or deficit. In accordance with IPSAS 1, presentation of financial statements, these assets are classified as non-current assets in the statement of financial position

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NOTES TO THE FINANCIAL STATEMENTS (continued)

All amounts are in thousands

16. Property, plant and equipment

	Land	Buildings under construction	Building	Computer and Accessories	Vehicles	Equipment	Furniture	Generators	Infrastructure Assets	Total
At 1 January	426,296	142	164,255	9,829	24,412	12,346	1,503	2,772	53,268	694,823
Additions	164	1,782	954	1,825	1,315	852	135	-	-	7,027
Disposal	-	-	(3,746)	(983)	(4,534)	(234)	-	(45)	-	(9,542)
Prior Period adjustment	-	-	-	(75)	(141)	(10)	(25)	-	-	(251)
At 31 December	426,460	1,924	161,463	10,596	21,052	12,954	1,613	2,727	53,268	692,057
Accumulated Depreciation										
At 1 January	-	-	25,328	7,920	13,623	8,700	978	2,340	3,813	62,702
Prior Period adjustment	-	-	-	(38)	28	(10)	-	-	-	(20)
Depreciation	-	-	3,745	957	1,621	1,348	118	183	1,063	9,035
Disposal	-	-	(1,836)	(983)	(1,933)	(212)	-	(43)	-	(5,007)
At 31 December	-	-	27,237	7,856	13,339	9,826	1,096	2,480	4,876	66,710
Net Book Value										
At 31 December 2022	426,460	1,924	134,226	2,740	7,713	3,128	517	247	48,392	625,347
At 31 December 2021	426,296	142	138,927	1,909	10,789	3,646	525	432	49,455	632,121

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Property, plant and equipment (continued)

16.1 Military Aid to African Union

The People's Republic of China made an agreement to donate military equipment worth US\$100 million to the African Union. AUC received 30% of the military equipment in 2018 worth US\$30 million. The verification and valuation of the equipment was completed in 2021 and recorded in the financial statements. The remaining 70% amounting to US\$70million was delivered in 2022.

16.2 Restrictions on titles

All lands of African Union donated by Member States are designated as national interest land and may not be sold or transferred to a third party without the approval of the Assembly and Member States concern. No property, plant and equipment of AU has been pledged as securities for liabilities at the reporting date.

16.3 Properties under litigation

The under listed properties are under litigating at the reporting date. These properties have been included in the African Union 's financial statement as property, plant and equipment; in particular under AUC.

No	Description of Property	Location	Land Area	Built Up Area	Land US\$	Buildings US\$
			(Sq. Mt.)	(Sq. Mt.)		
1	1A and 1B, Kuramo Close	Ikoyi, Lagos	2,855.39	436.42	2,776,067	19,375
2	32, Oyinkan Abayomi Drive	Ikoyi, Lagos	3,053.87	365.88	3,393,185	14,726
3	5A and 5B, Ikoya Avenue, Ikoyi, Lagos	Ikoyi, Lagos	3,139.72	738.08	3,052,499	32,541
4	20, Gerrad Road, Ikoyi, Lagos	Ikoyi, Lagos	4,751.41	469.8	5,939,263	21,876
5	24, Meckunwen Road, Ikoyi, Lagos	Ikoyi, Lagos	5,636.85	837.08	6,263,160	36,651
6	3, Macpherson Avenue, Ikoyi, Lagos	Ikoyi, Lagos	2,276.88	462.37	<u>2,529,864</u>	<u>20,310</u>
	Total Value				<u>23,954,038</u>	<u>145,479</u>

16.4 Properties not valued

The properties listed below have not been valued due to lack of relevant documentation and agreements. The Commission is following up with the concerned Member States to obtain relevant documentation and agreements in order to value and recognise these assets.

No	Property description
1	Isolation Unit building at African Union Commission Headquarters, Addis Ababa, Ethiopia;
2	Property at African Union International Centre for the Education of Girls and Women in Africa, Ouagadougou, Burkina Faso;
3	2 plots of land at Southern Africa Representational Office, Lilongwe, Malawi;
4	1 plot of land at Earth Station building in Dakar, Senegal;
5	1 plot of land at African Academy of Languages, Bamako, Mali;
6	1 property at 13, Queen's drive in Lagos, Nigeria

NOTES TO THE FINANCIAL STATEMENTS (continued)

16.5 Africa Centres for Disease Control and Prevention (Africa CDC)

The African Union Commission land valuing US\$54million was allocated for the construction of a building meant for Africa CDC operations. The Organ does not control the asset at the reporting date therefore the land is included in the property, plant and equipment of African Union Commission.

17. Intangible assets

	Software	Licenses and Rights	Total
At 1 January	5,361	810	6,171
Additions	83	299	382
Disposal	-	-	-
At 31 December	5,444	1,109	6,553
Accumulated Depreciation			
At 1 January	5,220	770	5,990
Prior year adjustment	-	-	-
Amortization	122	116	238
Disposal	-	-	-
At 31 December	5,342	886	6,228
Net Book Value			
At 31 December 2022	102	223	325
At 31 December 2021	141	40	181

18	Accounts payable	2022	2021
		US\$'000	US\$'000
	Troop contributing countries	59,472	100,826
	Suppliers	23,674	27,730
	Credit Union and Staff Association	1,352	4,360
	Staff payables	101,077	101,824
	Payable to Member States	-	59
	Sundry and other payables	448	121
		186,023	234,920

NOTES TO THE FINANCIAL STATEMENTS (continued)

19	Accruals and provisions	2022	2021
		US\$'000	US\$'000
	a) Accruals	50,390	44,028
	b) Provisions	46,121	44,318
	c) Employee benefit	28,529	29,795
		125,040	118,141

Accruals represent amounts accrued for employee benefit, salary arrears, utility, insurance, medical and unsettled travel advances, troop allowance, death & disability and imprest advances. Provisions relates to disability compensation for troops. Employee benefit provides the financial impact as of 31 December 2022 for accrued staff separation cost composing of accumulated leave days and return cost of ticket to their home countries

20	Members States contributions received in advance		
		17,584	11,834
	Members States contributions received in advance represent amounts paid by Member States in excess of 2022 assessed contribution. The amount is used to settle the assessed contribution of the contributing Member State in the following year.		

21	Due to Development Partners	2022	2021
	Due to Development Partners	269,570	296,408
	Due to Development Partners relate to funds received from various Development Partners but were not utilized at the reporting date. In accordance with IPSAS, these funds are recorded as deferred revenue on receipt. Revenue is recognised on fulfilling performance obligation stipulated in the agreement with the Development Partners.		

22	Due to Observer Missions and RECs	2022	2021
	Due to Observer Missions and RECs	11	14,516
	Due to Observer Missions and RECs represent amounts payable to Observer Missions and Regional Economic Communities (RECs) at the reporting date.		

23	Due to Related Entity	2022	2021
	Due to Related Entity	1,165	-
	Due to Related Entity relates to amounts payable to African Union Offices and Organs at the reporting date.		

NOTES TO THE FINANCIAL STATEMENTS (continued)

24	Special funds	2022	2021
		US\$'000	US\$'000
	Projects and Programs (Regional Offices)	-	1,295
	Special Refugee Contribution Fund	10,860	11,190
	Special Emergency Fund for Drought	13,871	14,956
	Acquisition of AU Properties	97,827	110,723
	Hissen Habre Trial Fund	558	-
	Administration Cost Fund	5,866	-
	General Peace Fund (SF005)	-	56,658
	Solidarity fund (SF007)	-	3
	Youth Fund	1,320	-
	Acquisition of Brussels office	223	223
	Acquisition of NY Office Premises	135	135
	African Group Fund for Geneva	41	41
	South Africa Donations Fund for Geneva	(14)	(14)
	AfCDC Fund	448	-
	African Women Fund	6,475	5,579
	Maintenance Fund	8,713	11,901
	Specific Peace Fund	1,295	-
	Peace Fund (Note 24.1)	394,310	309,438
	EEC/ACP Funds for Brussels	1	1
		<u>541,929</u>	<u>522,129</u>

24.1 Revitalised Peace Fund

As of the reporting date, Member States have been assessed US\$348,750,000 out of the total assessed contribution of US\$400 million. The projected Member States' assessed contribution for 2023 amounts to US\$51,250,000. Moreover, the contribution has increased by US\$45,559,422 due to arrears, investment income, voluntary contributions, and transfer from Old Peace Fund. Consequently, the total balance available at the reporting date is US\$394 million.

24.2 Assessed contributions and other collections for Revitalised Peace Fund

Revenue Source	Amount (US\$)
Member States assessed contributions	285,753,834
Voluntary contribution from Senegal	499,643
Interest/gains earned on investments	20,028,015
Old Peace Funds transferred to Revitalised Peace Fund	<u>25,032,054</u>
	<u>331,313,546</u>

Out of US\$331,313,546 collected, US\$315,031,603 has been invested as presented in **Note 15** to this financial statement. It is worth noting that cash inflow amounting US\$45,559,422 from arrears, investment income, voluntary contribution and transfer from Old Peace Fund were not considered to be part of the targeted US\$400 million, which was exclusively to comprise of Member States' assessed contributions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24.3 Reconciliation of Revitalised Peace Fund assessed contribution and collections from Member States

Revenue Source	Amount (US\$)
Member States Assessed Contributions	348,750,000
Collections	<u>(285,753,834)</u>
Receivables	<u>62,996,166</u>

24.4 Cash reconciliation for Revitalised Peace Fund

	Amount (US\$)
Total cash balance	331,313,546
Cash transferred to Fund Managers	<u>(315,031,603)</u>
Outstanding cash balance	<u>16,281,943</u>

25	Member States' assessed contributions	2022	2021
		US\$'000	US\$'000
	Member States' assessed contributions	204,785	203,500
The African Union is financed by contributions from Member Countries. The amount represents 2022 assessed contributions for regular budget which was recognized on 1 January 2022.			

26	Voluntary contribution	2022	2021
	AfCDC	473	-
	South Africa (AUDA/NEPAD)	1,420	435
	Kenya (PAUSTI)	540	562
	Kenya (IBAR)	246	200
	APRM	-	1,650
	African Union Commission (AUC)	<u>142</u>	<u>-</u>
		<u>2,821</u>	<u>2,847</u>

27	Partners Funds - Realized	2022	2021
	Peace and security	241,872	264,662
	Programs	<u>109,987</u>	<u>79,041</u>
		<u>351,859</u>	<u>343,703</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

28	Other revenue	2022	2021
		US\$'000	US\$'000
	Donated assets	1,287	154
	Disposal of obsolete assets	50	15
	AU clinic	55	60
	Rental income	65	314
	Interest on bank accounts	805	2,627
	Interest on short-term investments	3,618	231
	Miscellaneous income	2,014	787
	Parking charges	-	42
	Prior year expense adjustment	630	270
		<u>8,524</u>	<u>4,500</u>

The prior year adjustment relates to the difference between accrued expense for comparative year and actual expense incurred. The difference is credited to other revenue as prior year adjustment. Miscellaneous income mainly relates to cash balance of development partners transferred to AU and long outstanding amounts recovered from staff at the reporting date.

29	Staff Cost	2022	2021
	Basic Salary	49,838	48,891
	Employee Benefit	1,267	3,539
	Post Adjustment Allowance	19,462	19,031
	Acting Allowance	669	872
	Temporary Assistance	2,340	1,959
	Overtime	575	761
	Dependency Allowance	1,531	1,551
	Housing Allowance	16,903	16,635
	Pension Scheme	9,689	9,608
	Special Allowance/Short-term salaries	49,437	62,240
	Education Allowance	8,797	8,081
	Travel on Home Leave	1,069	1,009
	Installation Allowance	1,237	1,354
	Insurance of Personnel	5,145	5,463
	Separation Cost	4,910	2,615
	Non-Residence Allowance	313	279
	Initial Recruitment	270	139
	Transportation of personal effects	1,218	1292
	Sitting allowance	2	-
	Stipends	9,027	5,059
	Duty on Call Allowance	26	22
	Staff Welfare	58	24
	Funeral Expenses	51	4
	Medical Expenses	4,462	6,943
	Entertainment Cost	6	-
	Gratuity Payable	1,392	-
	Judicature Allowance	156	156
	Intersession Allowance	205	206
	Board Administrative Allowance	93	51
	Hardship Allowance	-	(18)
		<u>190,148</u>	<u>197,766</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30	Subventions to AU Organs	2022	2021
		US\$'000	US\$'000
	ECOSOCC	244	-
	African Union Commission on International Law (AUCIL)	-	61
		<u>244</u>	<u>61</u>

31	Expert fees	2022	2021
	Legal fees	176	913
	Consultancy fees	9,412	8,336
	Audit fees	174	151
	Freelance fees	8,114	6,084
	Honorarium	4,336	4,671
	Software Licences and Rental Fee	1,170	1788
	Brokerage fees	28	37
		<u>23,410</u>	<u>21,980</u>

32	Official missions	2022	2021
	Travel tickets	25,049	10,350
	DSA	29,149	15,108
	Terminal Allowance	278	131
	Visa fees	236	141
	Meals & Accommodations	6,956	3,765
	Mission Assistance	13	53
	Registration Fees	53	55
	Mission & Session Expenses	863	-
	Event Organizing fees	2	-
	Card Fees	4	-
	Airport Tax	4	-
		<u>62,607</u>	<u>29,603</u>

33	Other subventions/ grants	2022	2021
	Refugees and IDPs	-	1,789
	Special subvention and grant	10	250
	African Women Fund	-	894
		<u>10</u>	<u>2,933</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

34	Grants and donations	2022	2021
	Donations	963	1,359
	Grants	7,604	12,076
	Awards	<u>211</u>	<u>1,029</u>
		<u>8,778</u>	<u>14,464</u>

35	Provision for bad debts	2022	2021
	Short term receivables	436	141
	Due from Member States	5,685	8,792
	Partners	<u>(82)</u>	<u>-</u>
		<u>6,039</u>	<u>8,933</u>

36	Operating expenses	2022	2021
	Rent	13,062	10,554
	Communications	9,962	29,439
	Repair and Maintenance	1,788	2,050
	Utilities	860	1,372
	Hospitality	109	68
	Printing and Binding	779	401
	Publication and Periodicals	1,637	1,735
	Insurance	1,074	744
	Fuel and Lubricants	735	8,551
	Training	881	903
	Advertising	54	-
	Sub-grantee Commitment	22	-
	Commission	6	-
	Software Licenses and Rental Fee	<u>327</u>	<u>-</u>
		<u>31,296</u>	<u>55,817</u>

		2022	2021
37	Peace support operations	US\$'000	US\$'000
	Salaries and allowances – PSO	-	(3)
	Peace keepers allowances	177,565	197,879
	Death and disability grants	<u>8,140</u>	<u>6,745</u>
		<u>185,705</u>	<u>204,624</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

38	Low value assets	2022	2021
		US\$'000	US\$'000
	Donated Assets	383	-
	Motor Vehicles	-	80
	Computer & Accessories	1,152	697
	Software	41	105
	Office Equipment	351	85
	Office Furniture & Fittings	506	111
	Household Furniture and Fittings	-	3
	Printing and Publishing Equipment	5	3
	Medical Equipment	134	88
	Audio Visual Equipment	135	214
	Licenses and Rights	26	8
	Loss due to scrapping	-	30
	Other Assets	38	12
	Security and Safety Equipment	16	6
	Generators	81	3
	Software acquired externally	6	-
	Water Treatment and Fuel Distribution Equipment	2	-
	Conference Interpretation	<u>130</u>	<u>120</u>
		<u>3,006</u>	<u>1,565</u>

Other assets mainly relate to electrical and household items purchased by PAULESI during the year.

39	Financial charges	2022	2021
	Bank charges recoveries from staff	(116)	(114)
	Bank charges	910	792
		<u>794</u>	<u>678</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

40	Office supplies and services	2022	2021
		US\$'000	US\$'000
	Stationery Supplies and Services	934	701
	Printing Plant Materials Supplies	-	100
	Maintenance supplies	50	927
	Uniforms and Household Materials	168	182
	Fleet Maintenance Parts	51	5
	Refreshments & Beverages	624	204
	Information Technology Materials and Accessories	178	1,864
	Medical Product and Supplies	7,726	715
	Military Product and Supplies	11,671	88
	Cleaning Services	601	531
	Security Services	550	1422
	Advertising	414	257
	Renovation Materials	6	5
	Customs Clearance Charges	53	32
	Event Organizing fees	194	38
	Other Supplies & Services	511	3,726
		<u>23,731</u>	<u>10,797</u>

Other supplies and services relate to stationery items utilised in the reporting year.

41	Asset Donations	2022	2021
		US\$'000	US\$'000
	African Union Continental Logistics Base (CLB)	4,510	-
	Donation to ECOWAS	14	-
		<u>4,524</u>	

The African Union Continental Logistics Base (CLB) received an approval from the African Union Commission to donate certain Military Equipment to Member States. This was completed at the reporting date. The donation to ECOWAS relates to property, plant and equipment items belong to Fouta Djallon Highlands Programme which was handed over to ECOWAS in 2018. The closure of the Office and approval to transfer the assets were finalized in this reporting year.

42	Loss on disposal	2022	2021
		10	-
	This represents loss on disposing property, plant and equipment.		

NOTES TO THE FINANCIAL STATEMENTS (continued)

43	Foreign exchange gain/loss	2022	2021
		6,796	(934)
	Foreign exchange gain/loss represents gains or losses from exchange rate fluctuations during the year.		

44 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 AU financials. AU transactions with Organs, RECs and Office are in respect of its normal operations.

Key management personnel

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, are the elected Officials of the AU, who together with the PRC constitute the governing body of the AU. This will include the Chairperson, Deputy Chairperson and the 6 commissioners. The total remuneration is shown below. The key management personnel except those in acting capacity are provided with vehicle and driver, housing, household staff and utilities during their tenure.

	2022	2021
	US\$'000	US\$'000
Chairperson	397	364
Deputy Chairperson	332	299
Commissioner for Infrastructure and Energy	279	267
Commissioner for Social Affairs (January 2017 to January 2022)	31	271
Commissioner for Trade and Industry	277	265
Commissioner for Rural Economy and Agriculture	279	267
Commissioner for Human Resources, Science and Technology (January 2017 to January 2022)	33	345
Commissioner for Political Affairs, Peace and Security	260	248
Commissioner for Health, Humanitarian Affairs and Social Development	271	276
Commissioner for Education, Science, Technology & Innovation (ESTI)	255	393
Chief Executive Officer, New Partnership for Africa's Development (NEPAD)	304	299
Acting Clerk, Pan-African Parliament (PAP)	301	287
Chief Executive Officer, African Peer Review Mechanism (APRM)	300	299
President, African Court on Human & Peoples' Rights (AfCHPR)	302	305
Executive Secretary, African Union Advisory Board on Corruption (AUABC)	165	157
Acting Executive Secretary, African Commission on Human & Peoples' Rights (ACHPR)	167	166
Head of Secretariat, Economic, Social & Cultural Council (ECOSOCC)	130	128
Officer in Charge of the Secretariat, African Committee of Experts on the Rights and Welfare of the Child (ACERWC)	121	118
Secretary General, African Continental Free Trade Area (AfCFTA)	304	268
Acting Director General, Africa Centre for Disease Control and Prevention (Africa CDC)	202	200
	4,710	5,222

NOTES TO THE FINANCIAL STATEMENTS (continued)

45 Offices premises provided by Host Countries

The Office premises of most of the AU Offices are provided by the respective Host Countries, as specified in the Host Agreements. The value of these services is not readily available from the Governments. However, the estimate of the service by the Host Governments for the Regional Offices is approximately US\$ 1,311,744. This has not been recognized at the reporting date.

46 Employees

The number of active employees of African Union at the end of the year was **2,053** (2021: 2,084).

47 Segment reporting

IPSAS 18 requires that 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. 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. The reportable operating segments derive their revenue primarily from assessed Member States contributions and partner funds. **The segment information is presented in appendix I and II.**

48. African Union Pension Fund

The African Union is establishing the African Union Pension Fund. The Scheme's Rules and Trust Deed were approved in February, 2021 by Executive Council decision EX. CL 1293(XXXIX) IV and this was subsequently approved by the STC on legal matters in September, 2021. Trustees to the fund were appointed. Pension scheme is yet to be operational.

49. Contingent liabilities

There are 23 pending legal suits against the African Union by Active and Former Staff before the Tribunal as at the reporting date. The Office of the Legal Counsel is of the view that, these cases when settled, will not have significant financial impact on the Union.

50. Prior year adjustments

As per IPSAS 3; Accounting Policies, Changes in Accounting Estimates and Errors, certain adjustments were made to correct prior period errors identified in property, plant and equipment to re-instate the opening balance. The prior period adjustments have been disclosed in the statement of changes in net assets and respective financial statement lines.

51. Events after reporting period

Management of African Union are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report that may require adjustment, or disclosure in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

52. Disclosure relating to Organs, Regional, Technical, Specialized and Liaison Offices

52.1 AU Foutta Djallon Highlands Integrated Natural Resources Programme

AS per Executive Decision EX.CL/1027 (XXXI) of June 2017, the Fouta Djallon Highlands integrated natural resources programme (RPID-FDH) in Conakry, Guinea was transferred to ECOWAS. Subsequently, an official ceremony was done to hand over the Programme to ECOWAS on October 2018. An Interdepartmental Taskforce comprised of Department of Agricultural, Rural Development, Blue Economy and Sustainable Environment (DARBE), Department of Human Resources Management (HRMD), Operations Support Services Directorate (OSSD), Office of Legal Counsel (OLC) and Directorate of Finance has been established to finalized the closure. The Office was officially closed in May 2022, but final transactions completed in November, 2022. The financial transactions relating to the Office in reporting year is included in this financial statements.

52.2 African Centre for The Study and Research On Migration (CARIM)

The African Union Commission launched the African Centre for the Study and Research on Migration (CARIM) in Bamako, Mali on the 19th March 2021. CARIM serves as a specialized technical office to advance the knowledge base of the African continent on migration and mobility, and contribute to evidence-based interventions on migration in Africa. The CARIM was established on the back of decision Assembly/AU/Dec.758(XXXIII) of the 33rd AU Assembly of February 2020 which adopted the Statute for the establishment of the agency under the Department of Health, Humanitarian Affairs and Social Development. The 2022 financial activities were handled by the AUC Headquarters in Addis Ababa, Ethiopia and thus form part of the financial statements of AUC. Head of Office assumed duty in January 2023.

52.3 Continental Operational Centre

Continental Operational Centre was established through Executive Council decision (EX.CL/Dec.987(XXXII)) to improve the overall migration governance regime in Africa, specifically the management of irregular migration. It was established and hosted by Sudan as a Continental cooperation mechanism for the exchange of information among security agencies of Member States of the AU and between the Continental Operational Centre and other similar initiatives and processes on the continent and beyond in combating human trafficking and migrant smuggling. The Centre was inactive in 2022 therefore there was no financial transaction. Head of mission assumed duty end of January 2023.

52.4 Pan-African Training Centre for Statistics (PANSTAT)

Pan-African Training Centre for Statistics (PANSTAT) was established as a Pan-African Statistical Training Centre in 2014 to fill the existing gap in the training of African statisticians with emphasis on specialization in specific areas; train organization and management of modern statistical organisations; train in communication and marketing of statistical products; and enable African statisticians to speak the same language by offering courses in French and English especially in areas of organization and management and communication and marketing. The 2022 financial activities were handled by the AUC Headquarters in Addis Ababa, Ethiopia and thus form part of the financial statements of AUC.

52.5 African Union Centre for Post-Conflict Reconstruction and Development

The African Union Centre for Post-Conflict Reconstruction and Development (PCRD) was officially launched on 21 December 2021 in Cairo, Egypt. The AU Assembly of Heads of State and Government, through its Decision AU/Dec.351 (XVI) of 31 January 2011, had welcomed the proposal by the Government of Egypt to establish the Centre as a means to building sustainable resilience, to enhance structural transformation and thereby prevent relapse into conflicts. The mandate of the Centre focuses on providing technical support towards the implementation of the AU PCRD Policy Framework. The Centre will serve as the African Union's specialized technical agency for the implementation, monitoring and evaluation of PCRD programmes and projects in countries emerging from conflicts. The financial transactions incurred in the established of the Centre was accounted and reported under AUC Headquarters.

NOTES TO THE FINANCIAL STATEMENTS (continued)

52. 6 AMISOM and Replacement with ATMIS

The African Union Transition Mission in Somalia (ATMIS) has effectively replaced the African Union Mission in Somalia (AMISOM) with effect from 1 April 2022, in line with the decision of the Peace and Security Council (PSC) during its 1068th meeting held on 08 March 2022, which mandated ATMIS to support the Federal Government of Somalia (FGS) in the implementation of the Somali Transition Plan (STP) and to transfer security responsibilities to the Somali Security Forces (SSF) and institutions. UNSCR 2628 has authorized unanimously ATMIS under chapter VII of the charter of the UN from 1st April 2022. AMISOM was in existence since 2007. ATMIS shall comprise military, police, and civilian components, to facilitate implementation of its mandate in support of the STP. ATMIS shall be constituted by the current AMISOM T/PCCs and civilian personnel to ensure the continuity of the operation and prepare the transition to the Somalia SSF. During the transition period, ATMIS was reconfigured as per the mandate defined in the CONOPS. In 2022, AMISOM remained with the approved budget for 2022 in the first three months of the year while ATMIS continued with the same approved budget for 2022 from 1st April 2022 and later prepared necessary amendments to the approved 2022 budget and change of the name which was approved by the Policy Organs. ATMIS is headed by Special Representative of the Chairperson of the Commission (SRCC) to whom each component will report to.

53. Budget preparation and reporting

The budget is approved on a cash basis. The approved budget covers the fiscal period from 1 January 2022 to 31 December 2022, and includes all entities within the African Union. The African Union comprises Organs, African Union Headquarters, Specialized, Technical, Permanent Representatives, Liaison and Regional Offices. The original budget was approved by the Executive Council during the 39th Ordinary Session of the Executive Council, 14-15 October 2021, Addis Ababa, Ethiopia. The original budget objectives and policies and subsequent revisions through supplementary and reallocations in accordance with Rule 18 and 19 Financial Rules respectively are explained more fully in the various budget performance reports issued during the year.

The original budget of the AU organs amounting to US\$ 651,110,573 was approved via executive council decision EX.CL/Dec.1126(XXXIX) and additional supplementary requests amounting to US\$33,313,128 via executive council decisions EX.CL/Dec.1143(XL) and EX.CL/ Dec.1(XLII)Rev.2. The detailed objectives of the budget are contained in the first ten year of the implementation plan of agenda 2063. During the year under consideration, contribution from the Member States remained the same as the previous year despite an increase in the overall budget compared to the previous year. This necessitated the AU to mobilize additional funds from other sources in-order to bridge the deficit. The net effect was that partners continued to have a higher impact on the financing of the AU activities which impacts negatively on achieving the Assembly Decision 578 targets on AU financing. The budget and the accounting bases differ. The financial statements for the African Union are prepared on an accrual basis, using a classification based on the nature of expenses in the statement of financial performance. The financial statements differ from the budget which is approved on a cash basis. In order to relate the statement of financial performance with budget lines, certain balances were reclassified.

The African Union
Consolidated Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (continued)

53.1 Statement of comparison of budget and actual amounts

	Original Budget	Final Budget	Actual Amounts on Comparable basis	Variance	Note
	(A)	(B)	(C)	(B-C)	
	US\$'000	US\$'000	US\$'000	US\$'000	
Receipts					
Member States' Assessed Contributions	204,785	204,785	204,785	-	53.2.1
Maintenance Fund	4,642	4,642	-	4,642	53.2.2
Administrative Cost	12,778	13,109	-	13,109	53.2.3
Reserves	-	14,223	-	14,223	53.2.4
Partners Contribution	427,867	444,023	351,859	92,164	53.2.5
Voluntary Contribution	-	3,642	2,821	821	
Other Revenue	-	-	8,524	(8,524)	53.2.6
Total revenue as per Statement of Financial Performance	650,072	684,424	567,989	116,435	
Expenditures					
Staff Costs	194,191	203,993	190,148	13,845	53.2.7
Expert Fees	37,126	39,742	23,410	16,332	53.2.8
Official Missions	58,640	77,491	62,607	14,884	53.2.9
Grants and donations	18,538	18,568	8,788	9,780	53.2.10
Operating Expenses	58,444	60,693	31,296	29,397	53.2.11
Peace Support Operations	254,616	254,616	185,705	68,911	53.2.12
Low Value Assets	4,015	4,769	3,006	1,763	53.2.13
Financial Charges	551	551	794	(243)	
Office supplies and services	23,948	24,000	23,731	269	53.2.14
Total	650,069	684,423	529,485	154,938	

The African Union
 Consolidated Financial Statements
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	Original Budget	Final Budget	Actual Amounts on Comparable basis	Variance	Note
	(A) US\$'000	(B) US\$'000	(C) US\$'000	(B-C) US\$'000	
Reconciling items due to Timing differences					
Subvention to Organs			244	(244)	
Provision for doubtful debts			6,039	(6,039)	
Exchange gain			6,796	(6,796)	
Depreciation			9,035	(9,035)	
Amortization			238	(238)	
Asset Donations			4,524	(4,524)	
Loss on Disposal			10	(10)	
Total expenditures on reconciling items			26,886	(26,886)	
Expenses as per Statement of Financial Performance			556,371		
Surplus			11,618		

NOTES TO THE FINANCIAL STATEMENTS (continued)

53. 2 Explanation of material differences

The explanations of material differences between the original budget and the final budget, and between the final budget and the actual amounts, are presented below. The amount considered material is based on management judgement regarding the information useful for African Union stakeholders.

53.2.1 Member States' Assessed Contributions:

This revenue category relates to contributions from Member States which is recognized on 1 January on accrual basis as revenue in accordance with IPSAS. There was no variance at the reporting date.

53.2.2 Maintenance Fund:

The Maintenance Fund included in the budget line serves as a financing mechanism to address potential shortfalls in the budget. It is specifically utilized to cover maintenance costs associated with the business units, with resources drawn from this fund as and when needed upon approval by relevant AU Policy Organs.

53.2.3 Administrative Cost:

This item in the budget line is also included for financing purposes and it is used when there are shortfalls in the financing of the budget. Resource are drawn from this fund upon approval from AU Policy Organs and used to cater for administrative related costs including salaries of staff in liaison offices.

53.2.4 Reserves:

This fund generates its resources from unutilized funds at the end of the reporting year. For the period under consideration, the fund was drawn to finance activities under the supplementary budget requests. A separate statement is prepared for this fund in accordance with African Union Financial Rules.

56.2.5 Partners contribution:

Partner contribution depends on development partners fulfilling its grant agreement by transferring funds to AU and also ability of AU to utilize the funds in the reporting year. The variance is mainly due to inability of AU to fulfil performance obligations in the reporting year. The remaining funds are expected to be utilized in subsequent years.

53.2.6 Other revenue:

The other revenues were generated during the year and no initial appropriation had been made to utilize the resources due to the uncertain nature of the revenues. This revenue is credited into their respective funds as sources of revenues. The funds include the maintenance fund, acquisition of properties fund, peace fund, reserve fund etc.

53.2.7 Staff costs:

The variance is attributable to low utilization of the transition plan allocations during the reporting year. Although the budget for the transition plan was set at US\$12.7 million and funded from the Administrative Fund, only \$2.5 million was actually expended. Furthermore, due to resignations and retirements, the full amount requested under this category was not utilized.

NOTES TO THE FINANCIAL STATEMENTS (continued)

53.2 Explanation of material differences (continued)

53.2.8 Expert Fees:

The budget line was allocated to hiring of interpreters, consultants and other experts. The variance is due to the fact that most activities did not take place. In addition, there was budget saving as the organization utilized the human resource within the DCMP. The holding of virtual meetings also resulted in lower costs as only expert salaries were paid saving on DSA and ticket costs

53.2.9 Official Missions:

A significant portion of the planned meetings, especially the statutory meetings, were unable to take place due to a lack of quorum. Additionally, other meetings requiring travel did not occur, leading to a substantial variance in the budget. Furthermore, some funds expected from partners, including certain Member States, were not received, which resulted in limitations on the organization's ability to carry out certain activities.

53.2.10 Grants and donations:

A significant portion of resources were allocated towards grants and donations, with a portion of these funds allocated to the ESTI Department for distribution to various Member States. However, of the \$13.1 million allocated for this purpose, only \$5.5 million was actually disbursed to recipient institutions within Member States. Additionally, for the operational budget, only \$842k was disbursed from the special drought emergency fund of \$1 million.

53.2.11 Operating Expenses:

The variance in the budget was primarily due to the failure to utilize the resources that had been made available. This budget line item is closely tied to the revenue generated from contributions made by partners. The variance was caused by both low utilization of the budget and the non-receipt of funds from various partners. Additionally, a considerable amount of budget (\$21.9 million), which was approved as a supplementary request in October 2022, required some of the unused budget to be carried forward to 2023.

53.2.12 Peace Support Operations:

There was low spending on the PSO's which was primarily related to AMISOM which received significantly reduced partner's funds compared to the initial appropriated amount. This was also noted from the early response mechanism project under the PSO's.

53.2.13 Low Value Assets:

The budget variance is primarily attributable to the AU's inability to acquire certain planned assets during the year, which was further compounded by challenges in expediting the shipment process due to foreign currency deficits. Additionally, the global supply chain was impacted by the Covid-19 pandemic, resulting in delays in the delivery of procured goods.

53.2.14 Office supplies and services:

The budget line was adversely affected by the late release of funds, as well as the delayed approval of supplementary budget requests, which meant that some funds had to be carried forward to 2023. Furthermore, the underperformance of all programmatic interventions resulted in reduced spending on this particular expenditure line.

NOTES TO THE FINANCIAL STATEMENTS (continued)

53.3 Reconciliation

The financial statements and budget documents are prepared for the same period. There is no entity difference. All entities were included in the budget and financial statements. There is a basis difference. The budget is prepared on a modified cash basis and the financial statements on the accrual basis. There are also presentation difference as certain amounts are presented differently. A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the year ended 31 December 2022 is presented below.

	Operating	Financing	Investing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Actual Amount on Comparable Basis	529,485	-	-	529,485
Basis Differences	(26,886)	78,123	(324,025)	(272,788)
Entity Differences	-	-	-	-
Presentation differences	(579,879)	-	-	(579,879)
Actual Amount in the statement of cash flows	(77,280)	78,123	(324,025)	(323,182)

54. Material disclosures by Organs

The African Union comprises ten (10) organs in addition to the African Union Commission, each of which prepares separate financial statements. The list of these organs is as follows:

Organ	Country	Abbreviation
The African Committee of Experts on the Rights and Welfare of the Child	Lesotho	ACERWC
Pan African Parliament(PAP)	South Africa	PAP
African Court on Human & Peoples' Rights (AfCHPR)	Tanzania	AfCHPR
African Commission on Human & Peoples' Rights (ACHPR)	Gambia	ACHPR
Economic, Social & Cultural Council (ECOSOCC)	Zambia	ECCOSOC
New Partnership for Africa Development (NEPAD)	South Africa	NEPAD
African Union Advisory Board on Corruption (AUABC)	Tanzania	AUABC
African Peer Review Mechanism (APRM)	South Africa	APRM
African Continental Free Trade Area (AfCFTA)	Ghana	AfCFTA
Africa Centres for Disease Control and Prevention (Africa CDC)	Ethiopia	CDC

The following are the material disclosures relating to these Organs.

54.1 African Continental Free Trade Area (AfCFTA)

54.1.1 Government of Ghana Financial Support

AfCFTA Secretariat Host Country Agreement with Government of Ghana requires that the Government provide a settling-in cash grant of US\$10,000,000 (Ten million United States Dollars) for the AfCFTA Secretariat to commence operations. The amount released by the Government of Ghana as at 31 December 2022 was US\$141,000 with an additional US\$ 979,662 received in kind as technical assistance in the reporting period. AfCFTA Secretariat receiving the remaining amount depends on the Government of Ghana complying with the agreement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

54.1.2 Development Partners Indirect Assistance

During the year, AfCFTA received indirect support from Development Partners such as African Development Bank (AfDB), World Bank, Afrexim bank, European Union, Government of Ghana, United Nations, UNCTAD, UNDP, GIZ, ODI and Expertise France Groupe AFD to support its operations. The assistance relates to consultant's payments, support during stakeholders' meetings, rent payment, Air ticket and conference packages. The support is incurred by the third party (Development Partners) and recorded in their financial records, therefore it has not been recognized at the reporting date by the Secretariat.

54.2 Africa Centre for Disease Control and Prevention (Africa CDC)

54.2.1 Separation of ACDC

Africa Centre for Disease Control and Prevention (ACDC) is an autonomous technical institution of the African Union established to support public health initiatives of Member States and strengthen the capacity of their public health institutions to detect, prevent, control and respond quickly and effectively to disease threats. Africa CDC supports African Union Member States in providing coordinated and integrated solutions to the inadequacies in their public health infrastructure, human resource capacity, disease surveillance, laboratory diagnostics, and preparedness and response to health emergencies and disasters. It was established in January 2016 by the 26th Ordinary Assembly of Heads of State and Government and officially launched in January 2017. The institution serves as a platform for Member States to share and exchange knowledge and lessons from public health interventions.

The Institution was granted an Organ status in the year 2022. As a result, all transactions related to the Organ, including its cash and cash equivalents, have been transferred as of the reporting date, and are no longer reflected in the financial statements of the African Union Commission (AUC). Accordingly, ACDC has prepared its separate financial statements for the year 2022. For the year 2021, the transactions of ACDC which were included in the financial statements are presented in **appendix III**.

54.2.2 Land and Building

In July 2020, the African Union signed an agreement with the Ministry of Commerce of the People's Republic of China for the construction of CDC's Headquarters building at a cost of US\$101 million (RMB706.41). At the reporting date, CDC does not exercise control over the building and therefore it has not been recognized as a property in accordance with the International Public Sector Accounting Standards (IPSAS). Furthermore, it should be noted that the building has been constructed on land that is under the control of the African Union Commission, as disclosed in **Note 16.5** of the financial statements.

54.3 The African Committee of Experts on the Rights and Welfare of the Child (ACERWC)

European Union Financial Support

ACERWC received financial support from the European Union through an AGA grant to support its operations. At the reporting date, a total of US\$1,116,039 ((2021: US\$1,187,760) remains unspent, which has been recorded as deferred revenue in compliance with the International Public Sector Accounting Standards (IPSAS) and the accounting policies of the African Union.

APPENDICES

APPENDIX – I
SEGMENT REPORTING FOR THE YEAR ENDED 31 DECEMBER 2022

	Head Quarter and Liaison Offices	Specialized Agencies and Permanent representation offices	Organs	AU Total
	US\$'000	US\$'000	US\$'001	US\$'000
REVENUE				
Revenue from non-exchange transactions				
Member States' assessed contributions	204,785	-	-	204,785
Partners Funds - Realized	267,783	9,914	74,162	351,859
Voluntary Contribution	143	786	1,892	2,821
	<u>472,711</u>	<u>10,700</u>	<u>76,054</u>	<u>559,465</u>
Revenue from exchange transactions				
Other revenue	4,371	26	4,127	8,524
Total revenue	<u>477,082</u>	<u>10,726</u>	<u>80,181</u>	<u>567,989</u>
EXPENSES				
Staff Costs	108,942	28,304	52,901	190,148
Subventions to AU organs	64,675	-	(64,431)	244
Subventions to AU Regional Office	34,410	(34,410)	-	-
Expert Fees	8,867	4,435	10,108	23,410
Official Missions	26,336	6,944	29,328	62,607
Other Subventions/Grants	-	10	-	10
Grants and donations	5,603	1,009	2,166	8,778
Provision for Bad Debts	5,619	-	420	6,039
Depreciation	5,592	2,983	460	9,035
Amortization	168	-	69	238
Operating Expenses	9,784	4,499	17,013	31,296
Peace Support Operations	185,705	-	-	185,705
Low Value Assets	825	377	1,805	3,006
Financial Charges	235	88	470	794
Office supplies and services	15,127	732	7,872	23,731
Asset Donations	-	4,524	-	4,524
Loss on Disposal	1	-	9	10
Total expenses before exchange difference	<u>471,889</u>	<u>19,495</u>	<u>58,190</u>	<u>549,575</u>
Other gains/loss				
Foreign Exchange Gain/(Loss)	5,417	645	734	6,796
Total expenses	<u>477,306</u>	<u>20,140</u>	<u>58,924</u>	<u>556,371</u>
(Deficit) /surplus for the year	<u>(224)</u>	<u>(9,414)</u>	<u>21,257</u>	<u>11,618</u>
Segment assets	<u>1,308,111</u>	<u>108,285</u>	<u>496,485</u>	<u>1,912,881</u>
Segment liabilities	<u>445,346</u>	<u>18,613</u>	<u>135,434</u>	<u>599,393</u>
Segment net assets	<u>862,765</u>	<u>89,672</u>	<u>361,051</u>	<u>1,313,488</u>

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APPENDIX – II
STATEMENT OF FINANCIAL PERFORMANCE - SEGMENT REPORTING FOR THE YEAR ENDED 31 DECEMBER 2022 BY ORGANS

Organs	AUC US\$'000	ACHPR US\$'000	AFCDK US\$'000	AFCTA US\$'000	AFCHPR US\$'000	APRM US\$'000	AUABC US\$'000	ACERCW US\$'000	ECOSOCC US\$'000	NEPAD US\$'000	PAP US\$'000	Total
REVENUE												
Revenue from non-exchange transactions												
Member States' assessed contributions	204,785	-	-	-	-	-	-	-	-	-	-	204,785
Partners Funds - Realized	277,697	1,162	46,687	6,705	1,144	1,417	-	72	-	16,368	607	351,859
Voluntary Contribution	928	-	473	-	-	-	-	-	-	1,420	-	2,821
Revenue from exchange transactions	483,410	1,162	47,160	6,705	1,144	1,417	-	72	-	17,788	607	559,465
Other revenue	4,397	54	987	435	574	40	163	-	-	1,838	36	8,524
Total revenue	487,807	1,216	48,147	7,141	1,718	1,457	163	72	-	19,625	643	567,989
EXPENSES												
Staff Costs	137,247	2,670	6,563	4,394	6,764	4,540	855	805	873	18,068	7,369	190,148
Subventions to AU organs	64,675	(4,239)	(4,852)	(6,150)	(10,510)	(6,539)	(1,422)	(1,187)	(1,287)	(18,323)	(9,922)	244
Subventions to AU Regional Office	-	-	-	-	-	-	-	-	-	-	-	-
Expert Fees	13,302	427	1,258	646	1,316	1,412	293	192	306	2,834	1,424	23,410
Official missions	33,280	2,170	5,655	5,657	1,819	2,101	244	256	787	8,956	1,682	62,607

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Organs	AUC	ACHPR	AFCDC	AFCFTA	AFCHPR	APRM	AUABC	ACERCW	ECOSOCC	NEPAD	PAP	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Other subventions/grants	10	-	-	-	-	-	-	-	-	-	-	10
Grants and donations	6,612	-	-	-	-	8	120	-	4	2,034	-	8,778
Provision for Bad Debts	5,619	-	-	-	98	-	-	-	-	9	313	6,039
Depreciation	8,575	16	4	77	81	48	8	13	23	131	59	9,035
Amortization	169	3	-	-	-	-	-	-	2	64	-	238
Operating expenses	14,208	114	10,297	1,105	1,268	444	102	57	230	3,215	256	31,296
Peace support operations	185,705	-	-	-	-	-	-	-	-	-	-	185,705
Low value assets	1,201	-	1,233	265	41	95	4	-	82	30	55	3,006
Financial charges	324	35	55	14	86	45	31	1	7	128	68	794
Office supplies and services	15,933	46	6,979	260	188	46	55	22	82	61	59	23,731
Asset donations	4,524	-	-	-	-	-	-	-	-	-	-	4,524
Loss on Disposal	1	-	-	9	-	-	-	-	-	-	-	10
Total expenses before exchange difference	491,385	1,242	27,192	6,277	1,151	2,200	290	159	1,109	17,207	1,363	549,575
Other gains	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Exchange Gain/(Loss)	6,062	197	6	101	(35)	83	-	79	(4)	311	(4)	6,796
Total expenses	497,447	1,439	27,198	6,378	1,116	2,283	290	238	1,105	17,518	1,359	556,371
(Deficit) /surplus for the year	(9,640)	(223)	20,949	763	602	(826)	(127)	(166)	(1,105)	2,107	(716)	11,618

Appendix III – ACDC 2021 Statement of Financial Position

	31 December 2021
Current Assets	
Cash And Cash And Equivalents	7,786
Short Term Receivables	162
Receivables From Partner Funds	746
Advance Payments To Suppliers	417
Receivable from Head Quarter	125
Total Current Assets	9,235
Non-Current Assets	
Car Loan Non-Current Asset	146
Property, Plant, And Equipment	1
Total Non-Current Assets	147
Total Assets	9,382
Liabilities	
Accounts Payables	1,750
Unexpended partner funds	8,936
Total Liabilities	10,686
Net Assets	(1,303)
FUNDS	
Reserves	(1,303)
Total	(1,303)