AFRICAN UNION COMMISSION PROJECT FOR BUILDING CAPACITY FOR A RESULTS-ORIENTED ENGAGEMENT BETWEEN AFRICAN UNION COMMISSION AND REGIONAL ECONOMIC COMMUNITIES, FINANCED BY WORLD BANK UNDER IDF GRANT NO. TF014039

STATEMENT OF RECEIPTS AND EXPENDITURE, INTERNAL CONTROL AND COMPLIANCE
FOR THE PERIOD FROM 1 JANUARY 2016 TO 27 JUNE 2016

A.W. THOMAS L.P.
CHARTERED CERTIFIED ACCOUNTANTS
6 December 2016

Mrs. Assietou Sylla Diouf,
Director, Programming
Budgeting, Finance and Accounting
African Union Commission
Addis Ababa

Dear Mrs. Diouf,

We now enclose the audit reports dated 4 August 2016 on the Statement of Receipts and Expenditure, Internal Control, and Compliance of African Union Commission concerning World Bank supported economic development areas project entitled “Building Capacity for a Results-Oriented Engagement between the African Union Commission and Regional Economic Communities” financed by World Bank under IDF grant no. TF014039 for the period from 1 January 2016 to 27 June 2016.

The audit report contains the following sections:

- Report of Independent Auditor on the Statement of Receipts and Expenditure;
- The Statement of Receipts and Expenditure;
- Report of Independent Auditor on Internal Control;
- Report of Independent Auditor on Compliance;

We are grateful to African Union’s management and staff for the assistance and courtesy extended to our representatives during the conduct of the audit.

Yours faithfully,

A.W. Thomas L.P.
Chartered Certified Accountants

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Telephone: 251 (0)11 552 5575, Fax: 251 (0)11 552 4855
E-mail: awthomaslp@gmail.com
Partners: A.W. Thomas, Melaku Abeje and Seid Abdela
AFRICAN UNION COMMISSION PROJECT FOR BUILDING CAPACITY FOR A RESULTS-ORIENTED ENGAGEMENT BETWEEN AFRICAN UNION COMMISSION AND REGIONAL/ECONOMIC COMMUNITIES, FINANCED BY WORLD BANK UNDER IDF GRANT NO. TF014039
FOR THE PERIOD FROM 1 JANUARY 2016 TO 27 JUNE 2016

2. Independent Auditor's Report on the Statement of Receipts and Expenditure

2.1 The Report

African Union Commission
Addis Ababa

We have audited the project’s Statement of Receipts and Expenditure and the accompanying supplementary financial information of African Union Commission concerning the World Bank Supported Economic Development Areas Project “Building Capacity for a Results Oriented Engagement Between African Union Commission and Regional Economic Communities”—financed by the World Bank under IDF Grant No. TF014039 for the period from 1 January 2016 to 27 June 2016. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with International Auditing Standards. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statement. It also includes an assessment of the significant estimates and judgments made by the management in the preparation of the financial statement, and of whether the accounting policies are appropriate to the project's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statement is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly in all material respects, the financial position of African Union Commission World Bank Supported Economic Development Areas Project “Building Capacity for a Results Oriented Engagement Between African Union Commission and Regional Economic Communities”—IDF Grant No. TF014039 for the period from 1 January 2016 to 27 June 2016 and the results of its operations for the period then ended in accordance with the accounting policies adopted by the project, consistently applied.

This report is intended for the information of African Union Commission and the World Bank. However, upon release by the World Bank, this report is a matter of public record and its distribution is not limited.

A.W. Thomas L.P.
Chartered Certified Accountants

Addis Ababa 4 August 2016

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2.2 STATEMENT OF RECEIPTS AND EXPENDITURE

<table>
<thead>
<tr>
<th>Notes</th>
<th>Receipts</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transfers from World Bank</td>
<td>2.2.3 565,600.00 200,000</td>
</tr>
<tr>
<td></td>
<td>Refund unutilized fund</td>
<td>2.2.4 (20,981.98)</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>(46,741.54)</strong> <strong>(839,016)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>Receipts</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stakeholder Consultations and Development of a Results Oriented Engagement Framework Annex VII</td>
<td>46,668.52 311,527</td>
</tr>
<tr>
<td></td>
<td>Pilot Test of Results Orientated Engagement and Knowledge Outreach</td>
<td>- 332,561</td>
</tr>
<tr>
<td></td>
<td>Capacity Development, Communication, and Project Monitoring and Evaluation</td>
<td>- 194,922</td>
</tr>
<tr>
<td></td>
<td>Bank charge</td>
<td>73.02 6</td>
</tr>
<tr>
<td></td>
<td><strong>Total Expenditure</strong></td>
<td><strong>(46,741.54)</strong> <strong>(839,016)</strong></td>
</tr>
</tbody>
</table>

Excess (Deficit) of Receipts over Expenditure

<table>
<thead>
<tr>
<th>Notes</th>
<th>Receipts</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>497,876.48</strong></td>
<td><strong>(639,016)</strong></td>
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Fund balance 31.12.2015

<table>
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<tr>
<th>Notes</th>
<th>Receipts</th>
<th>Expenditure</th>
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</thead>
<tbody>
<tr>
<td></td>
<td><strong>(498,905.73)</strong></td>
<td><strong>140,110</strong></td>
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</table>

Fund balance 27.06.2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>Receipts</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>(1,029.25)</strong></td>
<td><strong>(498,906)</strong></td>
</tr>
</tbody>
</table>

Represented By:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Receipts</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash at bank</td>
<td>2.2.2 45,777.97 307,598</td>
</tr>
<tr>
<td></td>
<td>Account receivable</td>
<td>Annex V 1,264.50 -</td>
</tr>
<tr>
<td></td>
<td>Accounts payable</td>
<td>Annex VI <strong>(48,071.72)</strong> <strong>(806,504)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>(1,029.25)</strong> <strong>(498,906)</strong></td>
</tr>
</tbody>
</table>
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RESULTS-ORIENTED ENGAGEMENT BETWEEN AFRICAN UNION COMMISSION
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2.2.1 Notes to the statement of receipts and expenditure

a. Basis of accounting

The Commission is using a computerized accounting system and has adopted the
International Public Sector Accounting Standards starting from 2014

b. Remittance of funds

Advances from World Bank were received at regular intervals as per the withdrawal
applications made by the AUC. Advances were received on 28 October 2013 and 9
October 2015 amounting to USD 150,000 and USD 200,000 respectively and USD
565,600 was paid directly to the consultant Bain and Co. for consultancy fee on 11 April
2016 by the Bank.

c. Fixed assets

Fixed assets are expensed in the year of purchase.

d. Income and Expenditure

Income is recognized when cash is actually received and expenditure when it is
incurred.

2.2.2 CASH AT BANK

The project opened a designated account in USD with the Commercial Bank of Ethiopia
at African Union Branch.

<table>
<thead>
<tr>
<th>USD Account- 1000056731958</th>
<th>45,777.97</th>
<th>307,598</th>
</tr>
</thead>
</table>

2.2.3 TRANSFER FROM WORLD BANK

Direct Payment by World Bank to Consultant 565,600.00

Transfer from World Bank 200,000

2.2.4 REFUND UNUTILIZED FUND

AUC has refunded the unutilised fund amounting to USD 20,981.98 to the World Bank
on 17 June 2016.
General description of accounting and audit methodology

Before starting the audit work, the audit program was developed.

An Entrance Conference was held on 12 July 2016 at the African Union Commission office in the presence of the Commission’s representatives.

The schedules and documents supporting the Statement of receipts and expenditure were kept at African Union Commission office in Addis Ababa and the field audit work was conducted there. Detailed audit work was performed by us for the period from 1 January 2016 to 27 June 2016.

An exit conference was held on 1 August 2016 at the premises of African Union Commission in the presence of the Commission’s representatives.