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The Commission of the African Union (AUC) presents its compliments to the European Union (EU) Delegation to the African Union (AU), and with reference to the African Peace and Security Architecture (APSA) Support Programme III and the various meetings and exchange of emails at the technical level, between the AU Peace and Security Department and the EU Delegation to the AU, concerning reimbursement of retroactive expenses (covering the period 1 January to 31 December 2016), has the honour to communicate as follows:

The Commission wishes to note that from the email exchanges and correspondences between the Delegation and the Peace and Security Department, it appears that there are some differences in the interpretation of the requirement for expenditure verification in the Annexes to the Aide Memoire on measures to strengthen the AUC financial management until compliance with all pillars and the Special Conditions of the EU Delegation Agreement signed in December 2016.

In view of the above, the Commission wishes to request the EU Delegation to reconsider its current demand for an external audit to be undertaken before reimbursing the RECs/RMs 2016 expenditures under the APSA Support Programme, based on the following:

1. The Aide Memoire referred to above and its Annexes do not make reference to the requirement for the AUC and the RECs/RMs to conduct an external audit before reimbursement of retroactive expenditures. Reimbursement is to be done based on a narrative and financial report of expenses incurred and an expenditure verification report (paragraph 2, sub-paragraph 2.2 (b) and (c)).
2. Similarly, the Special Conditions to the Delegation Agreement in Article 7.1.3 (e) makes reimbursement conditional upon submission of a narrative and financial report of expenses incurred and an expenditure verification report. No reference is made to an external audit.
3. Taking into account the specificity of the APSA Support Programme and the gains made in APSA I and II, and the need for the Programme to continue running, the APSA Steering Committee, which is the decision-making body for all issues related to the EU Support to APSA, during its 12th meeting in February 2017 decided that the AU's internal audit should carry out expenditure verification in a bid to fast-track reimbursement of the 2016 expenditures in order to avoid negative impacts on the AU and RECs/RMs treasury, considering that although the Programme was to begin in 2016, it was not until sometime this year that it kicked off, following signature of the Grant Agreement. It should be noted that the EU, RECs/RMs and the AUC are full members of the Steering Committee.
4. During the Steering Committee meeting, the EU delegation did not raise the issue of an external audit, neither were the terms of reference for such audit discussed and agreed upon. Thus, the agreement was for the AUC to carry out expenditure verification using its

internal audit and to submit the report together with the narrative and financial report to the EU.

5. In view of the above, the AUC submitted the expenditure verification report to the EU Delegation on 7 June 2017 as agreed upon during the Steering Committee. In the initial comments of the EU on the report submitted by the AUC and the request for reimbursement of retroactive expenditure dated 28 June 2017, the issue of external audit was not raised. It was only on 22 August 2017, more than two months down the line that this issue was raised and the reimbursement suspended.
6. The AU recognizes that in the management of a program such as the APSA Support Programme, which involves many stakeholders and covers several years, there are always risks and challenges. However, in the case of retroactive expenditures for 2016 for APSA III, there would be limited risk considering that 99% of the expenditure incurred was for salaries.
7. In view of the above, the Commission wishes to request the EU to authorize reimbursement of the 2016 expenditures based on the verification report submitted on 7 June 2017. In the meantime, the AUC in consultation with the relevant RECs/RMs will commence the process of an external audit. Considering that the Programme is running until 2018, any ineligible expenses may be recovered from the implementing partners before the Program comes to an end.

The Commission would appreciate it if the Delegation can provide a prompt response to this request in order to avoid cash flow problems and the possibility of some RECs/RMs closing down their Programmes and sending away key staff.

The Commission of the African Union avails itself of this opportunity to renew to the European Union Delegation to the African Union the assurances of its highest consideration

Addis Ababa, 4 September 2017

To: European Union Delegation to the African Union
ADDIS ABABA

CC: AU Permanent Observer Mission to the EU
BRUSSELS

RECs/RMs (COMESA, EAC, ECCAS, ECOWAS, IGAD, SADC, NARC and EASF)

- Thorsten Clausen (EU Delegation to the African Union)
- Cecile Levecq (EU Delegation to the African Union)