AFRICAN UNION

BOARD OF EXTERNAL AUDITORS

REPORT OF THE BOARD OF EXTERNAL AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AFRICAN UNION FOR THE YEAR ENDED 31 DECEMBER 2018

MAY 2019

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Abbreviation's list

AU	African Union
INTOSAI	International Organization of Sperm Audit Institutions
ISSAI	International Accounting Standards for the Public Sector
USD	US Dollar
APRRM	African Peer Review Mechanism
PAP	Pan African Parliamentary
AFCHPR	African Court of Human Rights and Peoples
ACHPR	African Commission on Human and Peoples 'Rights
IPSAS	International Public Sector Audit Standards
ISA	International Standards on Auditing
FRR	Financial Rules and Regulation
CUA	Commission of the African Union
BOEA	Board of External Auditors
GL	General Ledger
TB	Trial Balance
PPE	Properties, Plans and Equipment
AOC	Audit Operations Committee
PRC	Permanent Representatives Committee

INTRODUCTION

Mandate

1. Article 77 of the Financial Regulations of the African Union stipulates that a Board of External Auditors of the AU is established to audit the accounts of the Union. The audit is performed in accordance with auditing standards. Member States of the Council are appointed by the Executive Council.

2. The Executive Council of the African Union, by Decisions EX.CL./Dec.1027 (XXXIII) and EX.CL./Dec.916 (XXVIII) appointed ten (10) members to the Board of External Auditors, five representatives of the first-tier Member States and five representatives from each region of Africa, responsible for auditing the African Union's financial statements for the financial years 2018 and 2019.

3. At its meeting on 15 and 16 January 2019 held in Addis Ababa (Ethiopia), the Council adopted the audit strategy for Union bodies for the financial year 2018. In implementation of this strategy, interim audit and a final audit of the AUC and six (06) other bodies were conducted by the auditors representing the SAIs of member countries of the board.

Terms of Reference

4. The audit was conducted in accordance with the terms of reference of the audit as stipulated by:

   - Article 79 of the Financial Regulations of the African Union including its sub-paragraphs (a-d) which require the Board of External Auditors of the African Union to:

     a) carry out an external audit ex post facto of the accounts of the Union;

     b) ensure that the audit is conducted in accordance with international auditing standards and subject to any special guidance from the Executive Board;

     c) verify the manner in which the Authorizing Officer and those under his authority have fulfilled their accounting duties and responsibilities;

     d) formulate proposals to enhance the effectiveness of budget and financial management methods, including the accounting system;

- Article 83 of the Financial Regulations of the African Union, which states that the BoEA expresses its opinion on the financial statements of the African Union. The opinion of the BoEA is to indicate whether:
    - the financial statements of the AU accurately reflect the financial position of the year ended 31st December 2018;
    - the financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS);
    - the accounting principles have been systematically applied compared to the previous period;
    - the transactions carried out during the financial year were in accordance with the Financial Regulation.

Report of the Board of External Auditors to the Permanent Representatives Committee of the African Union

To: His Excellency Sir, the Chairman of the Sub-Committee of Permanent Representatives on Audit Matters

Opinion

5. We have audited the consolidated financial statements of the African Union, which include the statement of financial position as at December 31, 2018, the statement of financial performance, the statement of changes in equity, the statement of financial position and cash flow, the comparative status of the budget with the actual amounts for the year then ended, and notes to the financial statements, including a summary of the principal agreements.

6. In our opinion, the attached financial statements presents fairly the financial position of the AU as at December 31 2018, as well as its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Basis of Opinion

7. We conducted our audit in accordance with International Auditing Standards (ISSAI / ISA). Our responsibilities under these standards are further described in the section "External Auditor's Responsibility for Auditing Financial Statements". We are independent from the African Union Commission in accordance with the IESBA Code of Ethics for Professional Accountants of the Council of International Standards of Accountant Ethics, and we have fulfilled our other responsibilities under these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

8. The key audit questions are those that, from a business perspective, had a special meaning in our audit of the financial statements for the current period. These issues have been addressed in the context of our audit of the financial statements as a whole and in forming our opinion on them. We do not express a separate opinion on these points. In addition to the matters described in the section

"Basis of Opinion", we have determined that the following are the key points of the audit that should be disclosed in the report.

Undue delay in the presentation of adjusted consolidated financial statement

9. It is worth noting that, adjustments required to be done by the financial department to reproduce the consolidated financial statement for our review and to enable us express our opinion was unduly delayed until the last day of our meeting. This development mounted much pressure on the AOC members to review such important documents within a limited time for approval.

Other information

Disclaimer opinion on African Peer Review Mechanism

10. African Peer Review Mechanism does not have audited financial statements for the financial years ended 31st December 2016 and 2017. Therefore, the basis for the opening balances uploaded into the system as required by ISA 510 could not be justified. This we believe is fundamental and would have significant and material impact on the financial statements of the organ.

Inter-company liaison account

11. Inter-company link accounts are not canceled in the AU Consolidated Balance Sheet. An amount of USD 6,829,000 remains outstanding in the inter-company receivable account section. This situation is abnormal, it distorts the net assets of the AU.

Management's Responsibility

12. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and the Financial Regulations of the African Union, as well as any internal control it deems necessary to the institution.

In preparing the financial statements, management is responsible for assessing the ability of the AU to continue as a going concern, disclosing, as appropriate, going concern information and applying the accounting principle of going concern unless management intends to terminate any organ of the UA or if there is no other realistic alternative option. It is the responsibility of AU leaders to monitor the AU financial reporting process.

Responsibility of External Auditors

13. Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, which does not guarantee that an audit performed in accordance with ISSAI / ISA standards will always detect a material misstatement where it exists. Anomalies may arise from fraud or error and are considered significant where it is reasonable to expect that, individually or in aggregate, they may influence the economic decisions of users based on them.

As part of an audit conducted in accordance with ISSAI / ISA standards, and throughout this audit, we exercise our professional judgment and are critical. In addition, we are required to proceed to:

- the identification and assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, the design and execution of audit procedures tailored to those risks, and the collection of risks, evidence, sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement as a result of fraud is greater than that resulting from an error, as fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control.
- the acquisition of a better understanding of internal control relevant to the audit in order to design appropriate audit procedures in the circumstances, but not to express an opinion on the effectiveness of the internal control of the audit; AU.
- the assessment of the appropriateness of the accounting policies used and the reasonable nature of accounting estimates and related information provided by management.
- the conclusion on the appropriateness of management's use of the going concern accounting principle and, based on the audit evidence gathered, whether there is significant uncertainty related to events or conditions that could result in doubt about the AU's ability to continue operating. If we conclude that there is significant uncertainty, we must report in our audit report the information provided in the financial statements about significant uncertainty, or if this information is inadequate, we must express a modified opinion. Our conclusions are

based on the information we had until the date of our audit report. However, future circumstances or events could lead the entity to cease operations.

- the assessment of the overall presentation, structure and content of the financial statements, including the information provided in the financial statements and the assessment whether the financial statements reflect the transactions and events underlying them in such a manner that they give a sincere presentation.

We communicated to the AU management, in particular, the scope of the planned audit work and schedule and the significant findings, including any significant weaknesses in internal control, identified during our audit.

We also provided executives with a statement confirming that we met the relevant ethical requirements for independence, and we will disclose to them all our relationships and other matters that may reasonably affect our independence and, where applicable, on related guarantees.

Among the issues communicated to executives, we define the most important issues in the audit of the financial statements of the current period and which are, therefore, key audit questions.

We describe all matters raised in our audit report except where laws and regulations prohibit publication or where, in very rare circumstances, we decided not to disclose any matter raised in our report because of adverse consequences that could reasonably be expected to occur.

Mr. ABDELKADER BENMAROUF
Chairman of the Board of External Auditors of the AU

Abdelkader Benmarouf

Annex: Consolidated Financial Statements of the African Union

AFRICAN UNION

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ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS OF AFRICAN UNION (AU) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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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
AFRIPOL	African Mechanism for Police Cooperation
AMISOM	African Union Mission in Somalia
AMU	Arab Maghreb Union
AOSTI	African Observatory of Science, Technology and Innovation
Arab League Mission	African Union Permanent Delegation to the League of Arab States – Cairo, Egypt
APRM	African Peer Review Mechanism
AU	African Union
AUABC	African Union Advisory Board on Corruption
AUC	African Union Commission
AUCIL	African Union Commission on International Law
AUSARO	African Union Mission to the Southern African Region – Lilongwe, Malawi
CELHTO	Centre d'Etudes Linguistiques et Historiques par Tradition Orale (French): Center for Linguistic & Historical Study of Oral Tradition; Niamey, Niger
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
FRR	Financial Rules and Regulations of the African Union
GBP	Great Britain Pound
GDP	Gross Domestic Product
H.E.	His Excellency
HQ	Headquarters
IAPSC	Inter-African Phytosanitary Council – Yaoundé, Cameroun
IBAR	The Inter-African Bureau for Animal Resources (IBAR) - Nairobi, Kenya
ICT	Information and Communication Technology
IDP	Internally Displace Person
IGAD	Intergovernmental Authority on Development
IPSAS	International Public Sector Accounting Standards
NEPAD	New Partnership for Africa's Development

List of Abbreviations (continued)

Abbreviation	Full name
PANVAC	Pan African Veterinary Centre, Debrezeit, Ethiopia
PAP	Pan African Parliament
PAU	Pan African University
PBFA	Programming, Budgeting, Finance and Accounting
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 (SAFGRAD) 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
AN 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

Annual Report

1. African Union

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

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

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

The elected Commissioners are tabulated below:

Commissioner for Peace and Security	Amb Smail Chergui, Algeria (re-elected in January 2017)
Commissioner for Political Affairs	H.E. Cessouma Minata Samate, Burkina Faso (elected in January 2017)
Commissioner for Infrastructure and Energy	H.E. Amani Abou-Zeid, Egypt (elected in January 2017)
Commissioner for Social Affairs	H.E. Amira El Fadil, Sudan (elected in January 2017)
Commissioner for Trade and Industry	H.E. Albert M. Muchanga, Zambia (elected in January 2017)
Commissioner for Rural Economy and Agriculture	H.E Sacko Josefa Leonel Correa, Angola (elected in January 2017)
Commissioner for Human Resources, Science and Technology	Sarah Mbi Enow Anyang Epse Agbor, Cameroon (elected in July 2017)
Commissioner for Economic Affairs	Harison Andrianaivo Victor, Madagascar (elected in July 2017)

Annual Report (continued)

2. Financial statements discussion and analysis for the financial year ended 31 December 2018

2.1. Financial reporting and accountability

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

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

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

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

At the end of each financial year, the Accounting Officer- through the delegated personnel- prepares the annual financial statements of the Union which provides financial information on the activities of the AU comprising of the organs, liaison offices, regional and specialized offices from an accrual accounting and budgetary perspective. The financial statements are prepared in accordance with the Union's FRR and in accordance with International Public Sector Accounting Standards (IPSAS).

2.2. Budgeting Process

AU prepares the budget annually for each financial year starting 1 January and ending 31 December. The Chairperson of the African Union Commission is the Chief Accounting Officer of the AU. The budget and related matters are considered by the Permanent Representatives Committee (PRC) and its relevant sub-committees, and recommendations are made to the Assembly (Assembly of Heads of State and Government of the African Union) through the Executive Council. The Assembly approves and adopts the budget of the African Union.

2.3. Decision on financing of the African Union and Budget Trends

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

I. Provide reliable and predictable funding for continental peace and security though 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.

The AU budget has been growing over the years. This growth in the budget has been because of the expanded scope of work of the Union mainly from implementation of the Assembly decisions and the subsequent need to implement the First Ten Year Plan of Agenda 2063.

Annual Report (continued)

2.3. Decision on financing of the African Union and Budget Trends (continued)

The AU policy organs adopted US$792.5 million which included Peace Support Operations budget. US$463.4 million was allocated towards the operating budget while US$329.1 was allocated towards programs budget. Of the operating budget, $268 million was related to the peace support operations budget The Member States allocation towards financing the 2018 budget was US$331.4 million while International development partners were to finance US$461.1 million. This represented Member States funding 42% of the total budget while international development partners funded 58% which is an increase of 16% for Member States (MS) funding compared to 2018 budget financing

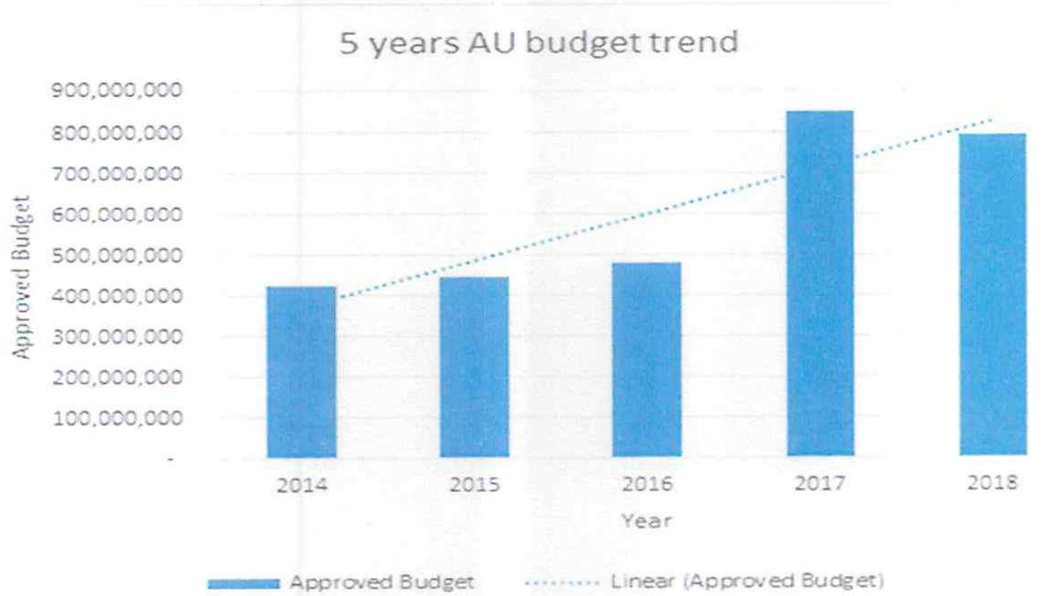
The initial 2018 budget appropriation of US$ 769.4 million was approved by the assembly via decision Assembly/AU/Dec.642 (XXIX) with additional supplementary budgets as indicated in the table below:

Schedule for AU
2018 Budget Approval

Description	Decision Number	Amount (US$)
Initial Appropriation	Assembly/AU/Dec.642(XXIX)	769,381,894
1st Supplementary Budget	EX.CL/Dec.986(XXXII)Rev.1	7,580,091
2nd Supplementary Budget	PRC/ Rpt (2-2018)	1,194,533
3rd Supplementary Budget	Assembly/AU/Dec.699(XXXI)	5,042,440
4th Supplementary Budget	Ext/EX.CL/Dec.1(XX)	9,287,325
Total AU 2018 Budget Approved		**792,486,283**

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

Figure 1: AU budget trend between 2014 and 2018 in USD



Annual Report (continued)

2.4. Source of funding of the African Union

The African Union is mainly financed by statutory contributions of the member states, voluntary contributions from development partners, and other miscellaneous income.

Member states contribution

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

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, fees earned from services rendered by the AU, revenue from investments, loans and advances and revenue of any other source not described above.

3. 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.

4. Overview of the major financial statement line items in the consolidated financial statements of the African Union

4.1 Revenue

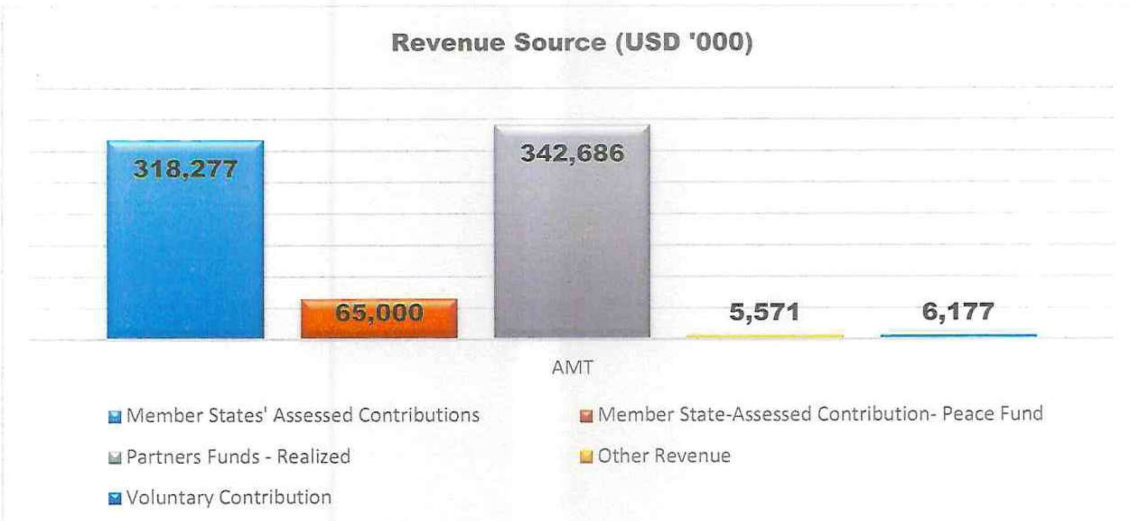
For the AU to further its objectives it requires sustainable inflows in term of revenue. Currently, AU has four (4) main sources of revenue namely:

- Member States assessed contribution for regular budget
- Member states assessed contribution for peace fund budget
- Partner Fund realized
- Other revenue

Member states assessed contribution and partner fund make up the largest contribution of revenue source of African Union each contributing 54 % and 46% of the total revenue for the year respectively as illustrated in the graph in the next page.

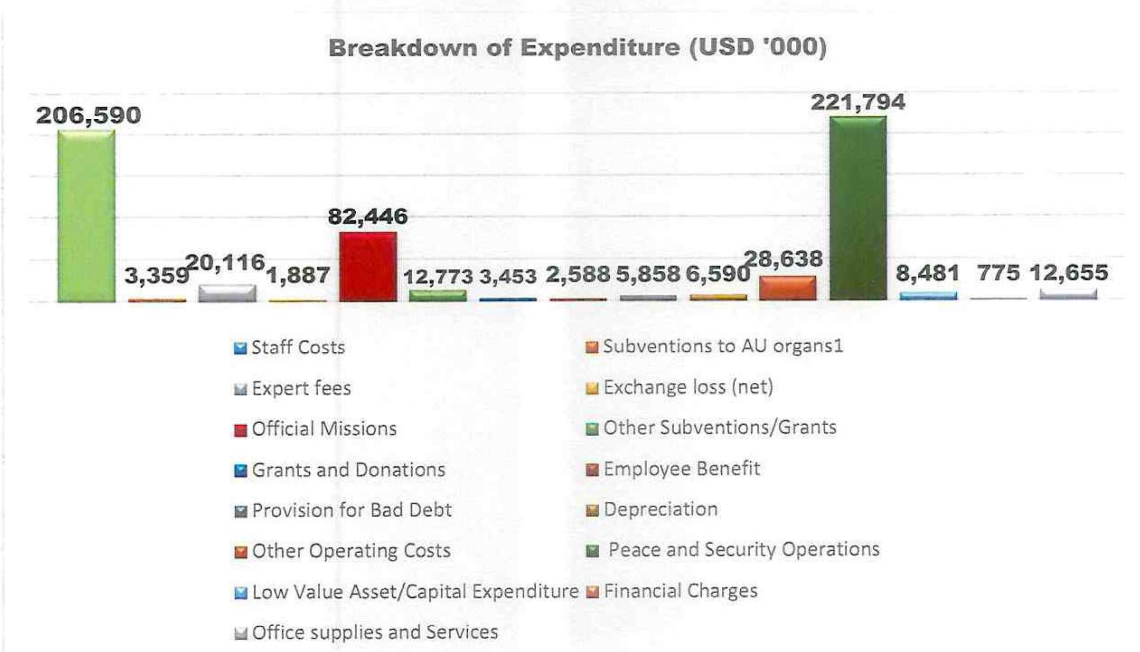
Annual Report (continued)

4.1 Revenue (continued)



4.2 Expenses

The total expenditure of the Union for the year was USD 618 million compared to prior year of USD 529 million. The main expense lines were; Peace support operations, staff cost and official missions.



Annual Report (continued)

4.3. Assets:

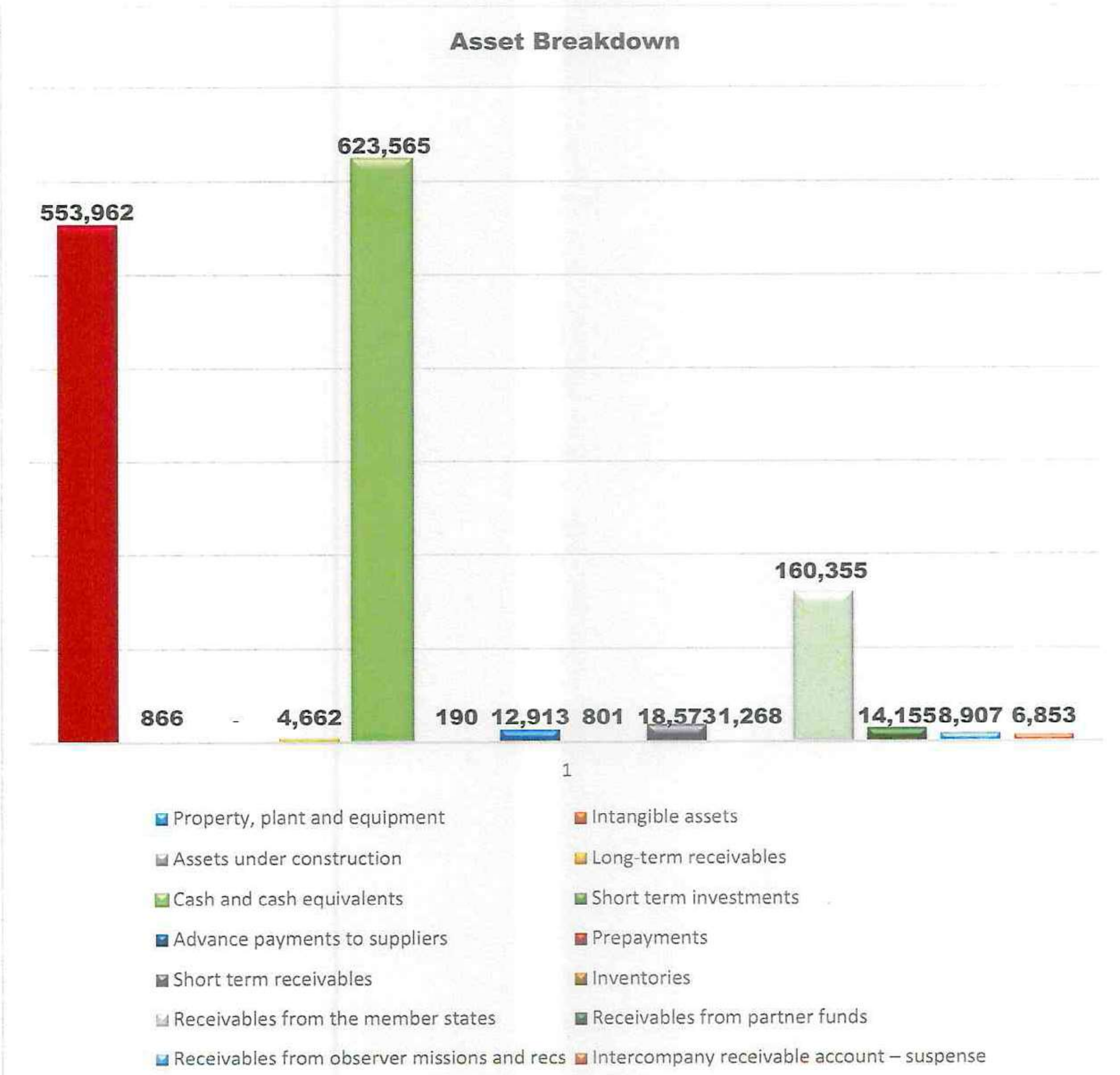
The most significant asset of the union is the property plant and equipment which make up 39% of the total assets. Cash and bank balances make up 44 % of the total assets while receivable from Member States makes up 11% of the assets.

a) Property plant and equipment

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

b) Financial assets

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



Annual Report (continued)

4.4. Liabilities

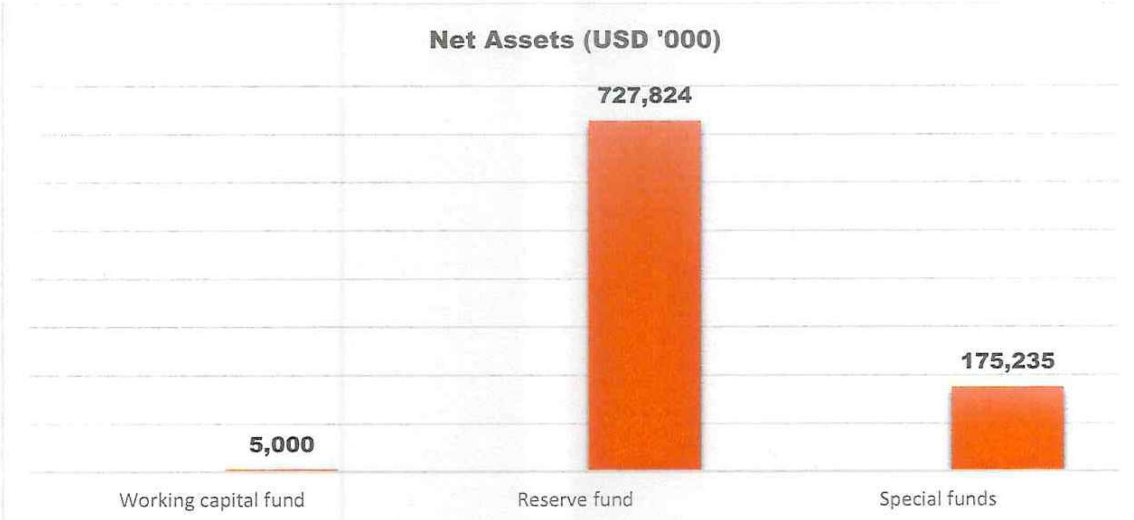
The liabilities consist of five (5) main balance items namely: unexpended partner funds, accounts payable, accruals, provisions and member states contribution received in advance. Accruals and provisions make up 23% of the total liabilities. Unexpended partner funds makes up 39% of the total liabilities and accounts payables makes 36% of total liabilities.

Overall, as at 31 December 2018, the current assets exceeds total liabilities by USD349 million. The graphs below depicts the relationship between the current assets, liabilities and Total assets

Net assets of US$ 908 million is the residual interest of the total assets and total liabilities. Net Asset are represented by:

- Reserve Fund represents cumulative surpluses and contributes 80% of the total net assets;
- Special Funds represent accumulation of specific purposes funds so as to further the objectives of the Union and contributes 19% of the total Net Assets; and
- Working Capital Fund represents 1% of the net assets.

Annual Report (continued)



5. Board of External Auditors

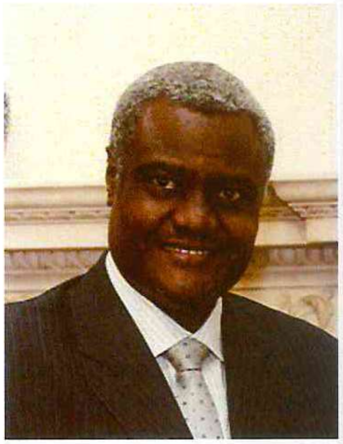
As per Assembly /AU /Dec.704 (XXXI), 31st Ordinary Session, 1 - 2 July 2018, Nouakchott, Mauritania, members of the first tier were assigned to audit the African union together with the nominated Heads of Supreme Audit Institutions; one from each Region of Africa, appointed by the Executive Council for a two-year term as per article 77 of the Union's Financial Rules and Regulations.

The current members of the Board are:

1	Algeria (Chair).
2	Morocco
3	Tunisia
4	Ghana
5	Nigeria
6	South Africa
7	Madagascar
8	Namibia
9	Egypt
10	Congo

The role of the Board of External Auditors is to carry out external audit of AU financial statements, including trust, projects and special funds and ensure that the audit conforms to internationally accepted auditing standards and guidelines. The Board reports to the AU Executive Council through the AU Permanent Representatives Committee (PRC). 2018 audit is the first term for the above auditors and they have a two year term renewable once.

Transmittal Statement



In accordance with the AU Financial Rules and Regulations (FRR), article 71.1, I am pleased to submit the consolidated financial statements of the African Union for the financial year ended 31 December 2018. The consolidated financial statements, accounting policies and the notes have been prepared in accordance with the accrual basis of International Public Sector Accounting Standards (IPSAS) and the financial rules and regulations of the African Union.

It is my pleasure to inform you that African Union valued, recognized and measured all assets and liabilities in accordance with International Public Sector Accounting Standards (IPSAS). The consolidated financial statements provide a complete overview of the union's finances and the implementation of the AU budget for the last year, including information on contingent liabilities, financial commitments and other obligations.

The year 2018 is one in which we saw our Member States focus on what unites us, how Africa is on the move to take its destiny into its own hands, and the importance of speaking with one voice. We have confirmed our commitment to a sustainable funding model for the Union, and we have committed to a challenging organizational reform programme that will breathe new life into our organization. These steps are a foundation for the rebirth of a United Africa.

Results for the year

The consolidated statement of financial performance on page 14 shows a surplus for the year of **US$ 119,708,420** (2017: US$105,741,122). In accordance with the AU Financial Rules and Regulations (FRR), the surplus has been transferred to the General Fund.

H.E. Moussa Faki Mahamat

Chairperson, African Union Commission (AUC)

July, 3rd, **2019**

REPORT OF MANAGEMENT

Management of African Union submits their report together with the audited consolidated financial statements of the Union for the year ended 31 December 2018.

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of the financial statements comprising the statements of financial position at 31 December 2018, the statements of financial performance, the statements of changes in net assets, statements of cash flows for the year then ended, 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 and Regulations (FRR).

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; and that enables them to prepare financial statements of the AU that comply with prescribed financial reporting rules and regulations. 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 consolidated 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 consolidated 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 consolidated financial statements does not relieve them of their responsibility.

Approved by Management on 05/06/2019 and signed on its behalf by:

H.E. Kwesi Quartey	**Mr. Biodun Adeyemo**
Deputy Chairperson	**Ag. Director, Programming, Budgeting, Finance and Accounting**
African Union commission	**African Union commission**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 US$ '000	2017 US$ '000
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**553,962**	405,324
Intangible assets	6	**866**	1,378
Assets under construction		**-**	21
Long-term receivables	7	**4,662**	4,213
		559,490	410,936
Current assets			
Cash and cash equivalents	8	**623,565**	367,619
Short term investments	9	**190**	190
Advance payments to suppliers	10	**12,913**	7,455
Prepayments	11	**801**	1,247
Short term receivables	12	**18,573**	18,132
Inventories	13	**1,268**	1,263
Receivables from Member States	14	**160,355**	132,643
Receivables from partners	15	**14,155**	29,367
Receivables from Observer Missions and RECS	16	**8,907**	7,254
Inter-office receivable		**6,853**	2,220
		847,580	567,390
TOTAL ASSETS		**1,407,070**	978,326
LIABILITIES			
Current liabilities			
Accounts payable	17	**179,395**	58,058
Payable to Observer Missions and RECs	18	**-**	1,008
Accruals	19	**79,547**	60,003
Provisions	20	**34,702**	30,482
Members states contributions received in advance	21	**11,956**	7,363
Unexpended partner funds	22	**193,410**	189,980
TOTAL LIABILITIES		**499,010**	346,894
NET ASETS		**908,060**	631,432
Represented by:			
Working capital fund		**5,000**	5,000
Reserve fund		**727,825**	482,936
Special funds	23	**175,235**	143,496
TOTAL NET ASSETS		**908,060**	631,432

The notes on pages 18 to 57 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Notes	For the year ended 31 December 2018 US$'000	2017 US$'000
REVENUE			
Revenue from non-exchange transactions			
Member states' assessed contributions	24	**318,277**	205,150
Member states' assessed contributions Peace Fund	25	**65,000**	65,000
Voluntary Contribution	26	**6,177**	1,614
Partner funds realized	27	**342,686**	359,742
		732,140	631,506
Revenue from exchange transactions			
Other revenue	28	**5,571**	3,607
Total revenue		**737,711**	635,113
EXPENSES			
Staff costs	29	**209,178**	155,541
Subventions to AU organs	30	**3,359**	2,484
Expert fees	31	**20,116**	15,726
Official missions	32	**82,446**	58,908
Other subventions/ grants	33	**12,773**	10,703
Grants and donations	34	**3,453**	2,815
Provision for bad debts	35	**5,858**	7,634
Depreciation and amortization	5&6	**6,585**	6,183
Other operating expenses	36	**28,638**	29,865
Peace support operations	37	**221,794**	237,834
Low value asset/ capital expenditure	38	**8,481**	2,586
Financial charges	39	**775**	1,266
Office supplies and services	40	**12,655**	10,828
Total expenses		**616,111**	542,373
Other gains/(losses)			
Losses/ (gains) on foreign exchange transactions	41	**1,892**	(13,001)
Total expenses		**618,003**	529,372
Surplus for the year		**119,708**	105,741

The notes on pages 18 to 57 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	General fund	Reserve fund	Total
	USD'000	USD'000	USD'000
As at 1 January 2018	-	482,936	482,936
First time consolidation of APRM		1,460	1,460
Restated opening balance		**484,396**	**484,396**
Initial Recognition of Property , Plant and Equipment)		149,487	149,487
Other movement on Reserve Fund		(6,561)	(6,561)
Surplus for the year	119,708	-	119,708
Transfer of surplus to reserves	(119,708)	119,708	-
Appropriation for the year	-	(19,205)	(19,205)
Balance at 31 December 2018	**-**	**727,825**	**727,825**

The notes on pages 18 to 57 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 USD'000	2017 USD'000
Cash flows from operating activities		
Surplus for the year	**119,708**	105,741
Adjustments for:		
Depreciation and amortization	**6,585**	6,398
Provision for doubtful contribution	**5,858**	7,634
Movement in reserve; working capital and Special Funds	**131,856**	(5,570)
Year-end appropriation	**19,205**	10,364
Operating surplus before working capital changes	**283,212**	124,567
Decrease / (increase) in:		
Long term receivables	**(449)**	(400)
Advance payments to suppliers	**(5,458)**	(2,284)
Prepayments	**446**	26
Short term receivables	**(441)**	(2,468)
Inventories	**(5)**	290
Receivable from Member States	**(27,712)**	(54,133)
Receivables from partner funds	**15,212**	125,358
Receivables from Observer Missions and RECs	**(1,653)**	(4,780)
Receivable from AU Organs- programme	**-**	(361)
Inter-office receivable	**(4,633)**	1,818
Increase / (decrease) in:		
Payables to AU organs programme	**-**	278
Accounts payable	**121,337**	(2,186)
Payables to Observer Missions and RECs	**(1,008)**	(1,582)
Accruals	**19,544**	(141,537)
Provisions	**4,220**	(23,948)
Members States contributions received in advance	**4,593**	7,185
Unexpended partner funds	**3,430**	11,888
Net cash flows from operating activities	**410,635**	37,731
Cash used in investing activities		
Purchase of property, plant and equipment	**(152,880)**	(1,740)
Initial recognition of property, plant and equipment	**(2,049)**	-
Disposal of property, plant and equipment	**241**	153
Net cash used in investing activities	**(154,688)**	(1,587)
Net increase in cash and cash equivalents	**255,947**	36,144
Cash and cash equivalents at 1 January	**367,808**	331,664
Cash and cash equivalents at 31 December	**623,755**	367,808

Cash and cash equivalents comprise cash and bank balances as well as short term investments.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Aspiration	Axis	Original Budget (US$000)	Revised Budget (US$000)	Actual amounts (US$ 000)	% Execution
A prosperous Africa based on inclusive growth and sustainable development	AXIS-01	115,178	116,123	51,200	44
An integrated continent, politically united and based on the ideals of Pan-Africanism and the vision of Africa's Renaissance	AXIS-02	24,842	26,178	12,994	50
An Africa of good governance, democracy, respect for human rights, justice and the rule of law	AXIS-03	16,564	16,601	4,408	27
A peaceful and secure Africa	AXIS-04	25,028	34,737	19,135	55
An Africa with a strong cultural identity, common heritage, shared values and ethics	AXIS-05	2,963	2,963	3,194	108
An Africa whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children	AXIS-06	6,495	6,939	3,892	56
Africa as a strong, united and influential global player and partner	AXIS-07	3,896	3,896	1,438	37
Institutions, capacity building and communication	AXIS-08	51,011	55,207	35,253	64
Operational budget		190,680	195,302	79,960	41
Peace support operations (PSO's)		268,083	263,370	256,052	97
Programs of Organs		64,643	71,171	26,054	37
Total AU as per approved 2018 budget		**769,383**	**792,487**	**485,690**	62
Reconciling items with statement of financial performance					
Expenses from carry forward budget				5,230	
Employee benefit				2040	
Foreign exchange loss				173	
Subvention to Organs				50,139	
Expenses relating to Regional Offices				60,512	
Provision for bad/doubtful debt				5,742	
Depreciation				6,585	
Total expenses as per statement of financial performance				**616,111**	

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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 Commission is located in Addis Ababa, Ethiopia. It has offices across Africa and other countries in Europe and USA. The African Union consist of 55 African member states as at 31 December 2018. It was established on 26 May 2001 and launched on 9 July 2002 and is charged with spearheading Africa's rapid integration, prosperity and sustainable development by promoting political and economic unity, solidarity, cohesion and cooperation among the people of the Africa and African states, as well as developing partnership worldwide. The Inception of the AU marked a significant chapter in the history of the continent in that its vision and objectives focused very much on "people centered development" and a transformative agenda. The AU vision is to build an integrated, prosperous and peaceful Africa. An Africa 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 consist of 265 members elected by the national legislatures of the African Union member states.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. General information (continued)

Other political institutions of the African Union include:

- The Executive Council made up of foreign ministers of African Union Member States, which prepares decision for the Assembly;
- The Permanent Representative Committee, made up of the ambassadors to Addis Ababa of African Union member states;
- The Economic, Social and Cultural Council (ECOSOCC), a civil society consultative body; and
- Peace and Security Council, has 15 members elected on a regional basis by the Assembly to prevent, manage and resolve conflicts, 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 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)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Statement of compliance and basis of preparation

The qualitative characteristics of financial reporting are relevance, reliability, understandability and comparability. Preparation of the financial statements in accordance with the above requires management to make estimates that affect the reported amounts of certain items in the balance sheet and statement of financial performance, as well as the disclosures related to financial instruments and contingent assets and liabilities In accordance with IPSAS 1 and AU Financial Rules and Regulations Article 71, a complete set of Financial statements has been prepared as follows:

- 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.

The financial statements of the African Union have been prepared and submitted in line with the Financial Rules and Regulations of the African Union that were adopted by the Assembly of Heads of States of the African Union on 21-28 January 2014 in Addis Ababa, Ethiopia (EX.CL/802 (XXIV)i). The financial statements of African Union have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the AU Financial Rules and Regulations. The financial statements have been prepared on the basis of historical cost, except for certain property, plant and equipment and intangible assets where fair values were used as the deemed cost at the reporting date. The cash flow statement is prepared using the indirect method. The financial statements are prepared on an accrual basis. The financial statements are presented in United States Dollar (USD), which is the functional and reporting currency of the AU and all values are rounded to the nearest thousand (USD'000). The financial year of the AU is from January 1, to December 31.

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 and Regulations.

Reporting entity

These financial statements cover the financial statements of the African Union Commission and the following Offices and Organs:

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	United States of America
6.	AU Permanent Observer to the United Nations, New York	United States of America

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

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	AU CIEFFA
8.	Pan African Veterinary Vaccine Centre	Debrezeit – Ethiopia	PANVAC
9.	Africa Centre for Disease Control and Prevention, Addis Ababa	Addis Ababa – Ethiopia	ACDC
10.	Pan African Institute for Education for Development	Kinshasa- Congo	IPED
11.	Centre for Linguistic and Historical Studies by Oral Tradition	Niamey - Niger	CELTHO
12.	African Academy of Languages	Bamako – Mali	ACALAN
13.	African Centre for the Study and Research on Terrorism	Algiers - Algeria	ACSRT
14.	International Coordination Bureau for the Management of Fouta Djallon Mountains	Conakry - Guinea	AUBCI-FDH

Special Representative and Liaison Offices (Peace and Security)

	Name	Headquarter
1.	African Union Mission in Burundi and the Great Lakes	Bujumbura – Burundi
2.	African Union Liaison Office for CAR and 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 Liberia	Monrovia – Liberia
8.	African Union Liaison Office to Libya	Tunis – Tunisia
9.	African Union/Southern African Development Community (SADC) Liaison Office	Antananarivo – Madagascar

NOTES TO THE FINANCIAL STATEMENTS (continued)

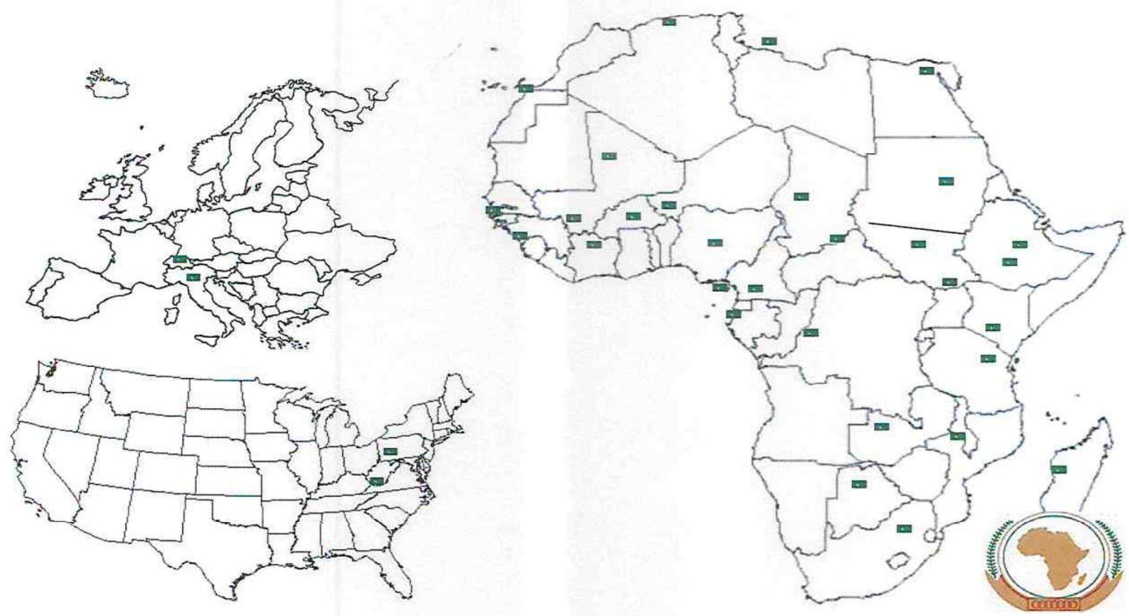
2. Summary of significant accounting policies (continued)

	Name	Headquarter
10	African Union Mission for Mali and Sahel Region (MISAHEL)	Bamako – Mali
11	African Union Liaison Office to Chad	N'Djamena – Chad
12	African Union Mission in Somalia (AMISOM)	Mogadishu – Somalia
13	African Union Liaison Office to South Sudan	Juba - South Sudan
14	African Union Liaison Office, Sudan	Khartoum – Sudan
15	African Mechanism for Police Cooperation (AFRIPOL)	Algiers - Algeria

Organs

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

The AU representative and autonomous offices mentioned above have been represented in the next map.



NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures

a. New standard and amendments adopted by African Union

IPSAS 39, Employee Benefits

IPSAS 39, 'Employee Benefits' was issued by the International Public Sector Accounting Standards Board in July 2016. The standard will replace IPSAS 25, 'Employee Benefits'. The key differences between IPSAS 39 and 25 are:

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

This standard is effective for financial statements beginning on 1 January 2018. African Union uses defined contribution plan, hence AU is not affected by the change in IPSAS 39.

Amendments to IPSAS 21, 'Impairment of Non-Cash-Generating Assets' and IPSAS 26, 'Impairment of Cash-Generating Assets': Impairment of Revalued Assets

IPSAS 21, 'Impairment of Non-Cash-Generating Assets' and IPSAS 26, 'Impairment of Cash-Generating Assets' were amended to include property, plant and equipment (IPSAS 17) and intangible assets (IPSAS 31) measured using the revaluation model were previously not in scope. The amendment requires an entity to recognize an impairment loss on assets (property, plant and equipment and Intangible Assets) carried at revalued amounts as a revaluation decrease in the revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets. This amendment was issued in July 2016 and is effective for periods beginning on 1 January 2018. The amendments have been applied in the preparation of the financial statements of African Union.

b. Standards issued but not yet effective

IPSAS 40, Public Sector Combinations

IPSAS 40, 'Public Sector Combinations' was issued by the International Public Sector Accounting Standards Board (IPSASB) in January 2017. The objective of the standard is to improve the relevance, faithful representation and comparability of the information that a reporting entity provides in its financial statements about a public sector combination and its effects. This standard is effective for financial statements beginning on or after 01 January 2019. The standard will not have significant impact on the financial statements of African Union

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

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 is effective 1 January 2022. Although early adoption is permitted, the Union did not apply this standard in 2018.

Having completed its initial assessment for measurement under IPSAS 41, the Union concluded that except for the change in measurement basis of these financial assets and liabilities, there are no material change that will affect financial statements.

2.3 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.

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 at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

Year end balances

Year end balances of monetary assets and liabilities denominated in foreign currencies are converted into US Dollar on the basis of the 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'.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies

2.4 Property, plant and equipment

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

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

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 USD 3,000 are recognized as non-current assets in the Statement of Financial Position. Self-constructed asset is subject to a capitalization threshold of USD 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. The Union 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. 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 in years	%
Land	Infinite	-
Assets under construction (work in progress)	Infinite	-
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Fixtures and fittings short lease	5	20
Light engineering and construction equipment	5	20
Minor construction works	5	20
IT equipment	4	25
Office equipment	4	25

Depreciation is treated as an expense and 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.

2.5 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. Certain characteristics, including the following, are often displayed by heritage assets:

- Their value in cultural, environmental, educational and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;
- Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;
- They are often irreplaceable and their value may increase over time even if their physical condition deteriorates; and
- It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

The Union discloses but does not recognize heritage assets that would otherwise meet the definition of and recognition criteria for property, plant and equipment, which is allowed by IPSAS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.6 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 - USD 5,000
- Other intangibles acquired separately (other Licenses & Rights) - USD 1,000

Internally Developed intangibles

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

Where intangible asset is acquired at no cost (as gift, contribution, or donation) or for a nominal cost, the fair value of the asset as at the date of acquisition is used. For internally developed intangible assets, all research cost are charged to expense when incurred. Development costs are capitalized only after technical feasibility has been established, and the future economic benefits or service potential has been demonstrated.

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:

Software-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 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.

Research and development costs

The AU expenses 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.6 Intangible assets continued)

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in statement of financial performance.

Internally generated goodwill

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.

2.7 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 the Union 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 the Union. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.7 Leases (continued)

(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.

2.8 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.

2.9 Receivables and recoverable

AU financial rules and regulations 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.9 Receivables and recoverables (continued)

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.

2.10 Cash and cash equivalents

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

2.11 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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.13 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.

(a) Initial recognition of financial instruments

The Union will recognize a financial asset or a financial liability on its statement of financial position when it becomes party to the contractual provisions of the underlying financial instrument and as a consequence, has a legal right to receive or a legal obligation to pay cash. Management determines the classification of financial assets at initial recognition. The Union uses trade date accounting for regular way contracts when recording financial asset transactions.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Except for short term receivables and payables, all financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through surplus or deficits, any directly attributable to the acquisition or issue of the financial asset of financial liability.

(b) Financial assets

Financial assets are recognized at fair value and subsequently classified as loans and receivables, held to maturity investments, available for sale financial assets or financial assets at fair value through surplus or deficit.

(i) Classification

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. The Union classifies its financial assets in the following categories:

Loans and receivables

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

Held-to-maturity

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

Financial assets at fair value through profit or loss

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

Available for sale financial assets

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

(ii) Derecognition

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

(iii) Impairment of financial assets

Assets carried at amortized cost

The Union assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Where there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in statement of financial performance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed and the amount of the reversal is recognized in statement of financial performance.

Assets carried at fair value

In the case of equity investments classified as available for sale financial assets, a significant or permanent (prolonged) decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of financial performance – is removed from reserves and recognized in the statement of financial performance. Impairment losses recognized in the statement of financial performance on equity instruments are not reversed through the statement of financial performance. If, in a subsequent period, the fair value of a debt instrument classified as available for sale financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

Reversals of impairment of equity shares are not recognized in statement of financial performance. Increases in the fair value of equity shares after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of Interest Income. Reversals of impairment of debt securities are recognized in the statement of financial performance if in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in statement of financial performance.

(c) Financial liability

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or other financial liabilities at amortized cost. The Union determines the classification of its financial liabilities at initial recognition.

(i) Classification

The Union's financial liabilities represents mainly payable to suppliers and other liabilities. Such financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Gains and losses are recognized in statement of financial performance when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

(ii) Derecognition

A financial liability is derecognized by the Union 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 liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of financial performance.

(iii) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

The Union uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Union holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

(iv) Offsetting financial instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

2.14 Provisions and contingent liabilities/ assets

(a) Provisions

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.15 Fund accounting

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

(a) General Fund

The following categories of accounts shall be maintained in this fund:

(a) Annual contributions paid by the Member States.

(b) Advances from the Working Capital Fund.

(c) Transfers from the Reserve Fund.

(b) Working Capital Fund

This has been established as per article 24 of the AU Financial Rules and Regulations. A Working Capital fund is established out of the reserve fund of the AU to provide advances necessary to meet commitment pending receipt of contributions due from Member States and to provide advances necessary to meet commitment and unforeseen or extraordinary Expenses arising from implementation of resolution and decisions adopted by the Executive Council or the Assembly. The proportion and ceiling of the Working Capital Fund must be at least one month of the Operational Budget of the AU.

(c)Reserve Fund

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

(d) Special Funds

This has been established as per Article 26 of the AU Financial Rules and Regulations for specific purposes so as to further the objectives of the AU. These represent funds operated by AU for special purposes. These funds are kept were the Accounting Officer accepts on behalf of the AU gifts, legacies, voluntary contributions and donations made to the AU, from development partners for established special funds. Monetary donations which are not made for specific purposes, i.e. unrestricted in use, shall be considered as miscellaneous revenue and credited to the General Fund. The amounts are appropriated from the Budget every year to be used for special purposes. Accumulated balances thereof are carried forward to be used in the next periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.15 Fund accounting (continued)

(e) Peace Fund

The Peace Fund is established to provide the financial resources for Peace Support Operations. The Peace Fund is made up of:

(a) Appropriations from regular the regular budget of the AU, based on a percentage of the amount of the operational budget, to be recommended by the Peace and Security Council.
(b) Voluntary contributions from Member States and other resources.
(c) Money from fundraising mechanisms.

(f) 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 exactly 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,

2.16 Revenue

AU's revenue consist of both revenue from non-exchange and exchange transactions. Revenue is recognize 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 Union's business, revenue from assessed contributions of member states is recognized as non-exchange transactions as per IPSAS 23 (Revenue from non-exchange transactions). Revenue is recognized at the beginning of each year when the Union 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 the Union and the third-party providing the contribution. Voluntary contributions without restrictions are treated as non-exchange transactions. Voluntary contributions that include restrictions on their use, are initially treated as unexpended Grant and then recognized as revenue when the restrictions are satisfied. The Union considers that while there are restrictions on the use of contributions, these restrictions do not constitute conditions on transferred assets as defined under IPSAS 23.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.16 Revenue (continued)

(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 are 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 the Union 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 the Union 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 the Union and the development partner, owing funds from the partner(s) at the end of the reporting period are recognized as partner funds receivable.

(iv) 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 the Union 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.

Donated property, plant and equipment are recognized as asset at a fair value with a corresponding entry to revenue. AU does not recognise but discloses services in kind in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.16 Revenue (continued)

(b) Revenue from exchange transactions

Revenue from exchange transactions include interest income, sale of assets, income from the Union's clinic at the HQ, 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.

2.17 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.

2.18 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

(i) Defined contribution plan

Defined contribution plan is a pension plan under which the Union pays fixed contributions to a scheme. The Union recognizes post-employment benefits for long-term staff through a defined contribution plan and money is kept in Chase bank. It uses to be administered by American Life Insurance Company (ALICO), who have withdrawn its services. 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.

For short-term staff, contribution towards their pension at the official rate is paid as part of their monthly salaries. The short –term employee benefits is recognized by way of provision for known obligations toward staff.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Summary of significant accounting policies (continued)

2.18 Employee benefits (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.

2.19 Taxation

AU is exempted from the payment of taxes. AU international employees are also exempt for items imported from abroad and have duty free privileges in the duty free shop.

2.20 Segment reporting

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

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

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

Service segments are reported in appendix 1 to the financial statements.

2.21 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 (USD), by applying to the foreign currency amount the exchange rate between the USD and the foreign currency at the date of the cash flow. The cash flow statement reports cash flows during the period classified by operating and investing activities and the financing activities.

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 in the next page.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Critical accounting judgments, estimates and assumptions (continued)

(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, the union 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) Valuation of property, plant and equipment and intangible assets

Fair value of certain property, plant and equipment and intangible assets were used as deemed cost for the preparation of the financial statements. Fair valuation of these assets requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts. 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 that are not readily apparent from other sources. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

(c) 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 2.4. 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.

(d) Provisions

Provisions are raised and management determine an estimate based on the information available. During the current reporting period, provisions relating to death and disability and doubtful debts were made and have been reported in the financial statements. Changes in the assumptions made by Management about these factors could affect the reported amounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Critical accounting judgments, estimates and assumptions (continued)

(e) 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 involves 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 resource allocations. The Accounting Officer has overall responsibility for the establishment and oversight of the risk management policy. The PBFA is responsible for risk management and report to the Accounting Officer. PBFA 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 Executive Council. 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:

• 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 the Union 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. AU manages its credit risk by ensuring that it transacts with reputable well-established financial institutions and constantly follows up on its receivables for payments to be made. The Union's maximum exposure to credit risk at the end of the reporting date is as follows:

	2018 USD'000	2017 USD'000
Cash and cash equivalents	**623,565**	367,619
Short term investments	**190**	190
Short term receivables	**18,573**	18,132
Receivables from the Member States	**160,355**	132,643
Receivables from partner funds	**14,155**	29,367
Long-term receivables	**4,662**	4,213
	821,500	552,164

The Union has no credit risk exposures relating to off balance sheet items. Based on the credit history of the accounts receivable, it is expected that the amounts will be received.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Financial risk management (continued)

(a) 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. 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 balance sheet 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.

	2018	2017
	USD'000	USD'000
Accounts payable	**179,395**	58,058
Accruals	**79,547**	60,003
	258,942	118,061

Assets held for managing liquidity risk

AU holds a diversified portfolio of liquid assets to support the payment of obligations when they fall due. The Union's assets held for managing liquidity risk comprise cash and balances and short term investments.

(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 PBFA 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 daily basis. The Union's policy to manage foreign exchange risk is to hold foreign currency bank accounts for foreign denominated transactions. The exposure results from three (3) major currencies namely Euro, Pound Sterling and Ethiopian Birr.

Sensitivity analysis technique is used to measure the estimated impact on the statement of financial performance from an instantaneous 10% strengthening or weakening of the US Dollar against the Euro, Pound Sterling and Ethiopian Birr.

At 31 December 2018, if the currency had weakened/strengthened by 10% (2017: 10%) against the Euro, Pound Sterling and Ethiopian Birr with all other variables held constant, surplus for the year would have been USD18,870 (2017:USD130,010), higher/lower, mainly as a result of US dollar denominated bank balances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. **Financial risk management (continued)**

(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.

At 31 December 2018, an increase/decrease of 15 basis points (2017: 15 basis points) would have resulted in a decrease/increase in surplus by USD11,430 (2017: USD45,000).

(iii) Price risk

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

(iv) Fair value hierarchy

IPSAS 29 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. Property, plant and equipment

	Land	Building	Computer and Accessories	Vehicles	Equipment	Furniture	Generator	Infrastructure Assets	Total
Cost									
At 1 January 2018	290,666	105,005	5,830	8,792	6,933	1,805	1,142	18,403	**438,576**
Initial recognition	76,350	16,493	-	451	114	82	149	55,848	**149,487**
Additions	-	-	969	1,278	628	170	73	-	**3,118**
Disposals	-	-	(388)	(558)	(159)	(13)	-	-	**(1,118)**
At 31 December 2018	**367,016**	**121,498**	**6411**	**9,963**	**7,516**	**2,044**	**1,364**	**74,251**	**590,063**
Accumulated Depreciation									
At 1 January 2018	-	14,085	4,851	6,359	4,527	1,409	549	1,472	**33,252**
Initial recognition adjustment		(2,049)	-	-	-	-	-	-	**(2,049)**
Depreciation for the year	-	2860	415	549	680	85	215	994	**5,798**
Disposals	-	-	(371)	(439)	(83)	-	(7)	-	**(900)**
At 31 December 2018	-	**14,896**	**4,895**	**6,469**	**5,124**	**1,494**	**757**	**2,466**	**36,101**
Net Book Value									
At 31 December 2018	**367,016**	**106,602**	**1,516**	**3,494**	**2,392**	**550**	**607**	**71,785**	**553,962**
At 31 December 2017	265,423	98,681	1,041	2,027	1,896	786	17,067	18,403	405,324

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Property, plant and equipment (continued)

5.1 Restrictions on titles

Land was valued at fair value as at 31 December 2018, as determined by Lochan & Co Chartered Accountants, an independent valuer. All lands of African Union 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 concerned.

No property, plant and equipment of AU has been pledged as securities for liabilities at the reporting date.

5.2 Properties not included in the financial statements

The values of property, plant and equipment which control status were not established at the reporting date were not included in the financial statements. The values of these assets will be included as property, plant and equipment when control is established. The details of these properties are provided below:

No	Description of Property	Location	Land Area (Sq. Mt.)	Built Up Area (Sq. Mt.)	Land	Buildings
1	CLB	Douala, Cameroon	93,450	1,203.92	32,520,600	695,461
2	CELTHO	Niamey, Niger	3,789	915.34	985,140	197,748
3	1A and 1B, Kuramo Close	Ikoyi, Lagos	2,855.39	436.42	2,776,067	19,375
4	32, Oyinkan Abayomi Drive	Ikoyi, Lagos	3,053.87	365.88	3,393,185	14,726
5	5A and 5B, Ikoya Avenue, Ikoyi, Lagos	Ikoyi, Lagos	3,139.72	738.08	3,052,499	32,541
6	20, Gerrad Road, Ikoyi, Lagos	Ikoyi, Lagos	4,751.41	469.8	5,939,263	21,876
7	24, Meckunwen Road, Ikoyi, Lagos	Ikoyi, Lagos	5,636.85	837.08	6,263,160	36,651
8	3, Macpherson Avenue, Ikoyi, Lagos	Ikoyi, Lagos	2,276.88	462.37	2,529,864	20,310
	Total Value				**57,459,778**	**1,038,688**

5.3 Independent valuation of property, plant and equipment

Assets controlled by African Union for which reliable cost information was not available were valued by Lochan & Co Chartered Accountants, Independent Valuer. The amounts determined by the valuers as deemed cost of assets were credited to the statement of changes in net assets. Key assumptions used in the valuation include the following:

- Low value assets that is individual assets with value below US$3,000 were not valued.
- Our assessment addresses the market value of the property subject to the existing tenancies and occupational arrangements.
- The assessment of value by necessity assumes that all necessary licenses, permits or grants to act, to build, to use and to occupy the property have been properly obtained.
- Valuation was based on prevailing economic and market conditions as at valuation date.
- All technical equipment such as air-conditioning, lifts and other usual building systems, have been considered as integral parts of the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Property, plant and equipment (continued)

5.4 Asset under construction

The Integrated Project Service Center at African Union Commission was constructed by the China Government for African Union. The donation was not transferred to AU at the reporting date therefore it was not recognized as an asset. It will be included In 2019 Financial Statement.

6 Intangible assets

	2018	2017
Cost	**US$'000**	US$'000
At 1 January	**4,563**	4,520
Additions	**275**	43
At 31 December	**4,838**	4,563
Accumulated amortisation		
At 1 January	**3,185**	2,402
Amortisation for the year	**787**	783
At 31 December	**3,972**	3,185
Net Book Value	**866**	1,378

No intangible asset of AU is restricted or has been pledged as securities for liabilities at the reporting date.

7 Long term receivable (Staff car loans)

Long term receivable- Non current	**4,662**	4,213

8 Cash and cash equivalents

Cash on hand	**1,491**	292
Cash at bank	**622,074**	367,327
	623,565	367,619

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 US$'000	2017 US$'000
9	**Short term investments**		
	Money market deposits	9	9
	Money market deposits	181	181
		190	190

These represent balances on short-term money market deposits invested with JP Morgan Chase Bank in New York and ING Bank in Brussels, Belgium. The deposits earn varying interest rates and have maturity dates of less than a year.

		2018 US$'000	2017 US$'000
10	**Advance payments to suppliers**		
	Advance payments to suppliers	12,913	7,455
11	**Prepayments**		
	Other prepayments	450	545
	Provision	(5)	(5)
	Net- other prepayments	445	540
	Rent prepayment	193	170
	Education	90	71
	Insurance prepayment	73	466
		801	1,247

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

	2018	2017
At the start of the year	-	-
Provision in the year	5	5
	5	5

		2018 US$'000	2017 US$'000
12	**Short term receivables**		
	Advance recoverable from staff members	251	171
	Car loan	3,126	2,483
	Travel and Imprest advances	4,979	3726
	Salary and Housing allowance advances	2,669	2599
	Sundry receivables	7,371	3771
	Receivables from Member States	737	5915
	Receivables from Non-Member States	420	398
		19,553	19,063
	Provision for bad debts- other receivables	(980)	(931)
		18,573	18,132

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 USD'000	2017 USD'000
13	**Inventories**		
	Stationery and office supplies	**480**	490
	Uniforms and household materials	**1**	1
	Fleet maintenance and parts	**10**	10
	Refreshments and beverages	**12**	19
	Maintenance materials	**49**	51
	Printing plant materials	**202**	227
	Information technology materials and accessories	**87**	75
	Medical product and supplies	**158**	165
	Military product and supplies	**171**	171
	Other inventory	**98**	54
		1,268	1,263

The amount of inventories recognized as an expense during the period is 1,086. These include stationery supplies and services, printing and photocopy services, printing supplies, and maintenance supplies.

		2018 USD'000	2017 USD'000
14	**Receivable from Member States**		
	Outstanding Member States contribution	**178,406**	146,267
	Provision for doubtful debt	**(18,051)**	(13,624)
		160,355	132,643
15	**Receivable from partners**		
	Receivables from partner funds	**18,403**	33,615
	Less: provision for bad debts- partner funds	**(4,248)**	(4,248)
		14,155	29,367

The details of partner funds is presented in Appendix 2.

		2018 USD'000	2017 USD'000
16	**Receivable from Observer Missions and RECs**		
	Observer Missions		
	Dakar Representative Office	**208**	208
	DPAIT/ Sudan	**19**	19
	Darfur/ Sudan	**1,526**	1,526
	Provision for Bad debt (Darfur/Sudan)	**(1,753)**	(1,753)
	Regional Economic Communities (RECs)		
	APSA	**8,907**	(1,099)
	Regional offices	**-**	8,353
		8,907	7,254

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 USD'000	2017 USD'000
17	**Accounts payable**		
	Troop contributing countries	**77,820**	25,576
	Suppliers	**15,390**	18,580
	Credit union and staff association	**2,774**	777
	Staff payables	**79,629**	8,702
	Sundry and other payables	**3,782**	4,423
		179,395	58,058
18	**Payable to Observer Missions and RECs**		
	Payable to Regional Economic Communities (RECS)	**-**	1,008
19	**Accruals**		
	Provision for Accrual Expenses	**32,404**	27,465
	Others/ Regional Offices	**47,143**	32,538
		79,547	60,003
20	**Provisions**		
	Provision for disability and death compensation	**34,702**	30,482
21	**Members states contributions received in advance**		
	Contributions received in advance	**11,956**	7,363
22	**Unexpended partner funds**		
	Unexpended partner funds	**193,410**	189,980

Details of partner funds is presented in appendix II and III

		2018 USD'000	2017 USD'000
23	**Special fund**		
	Projects and Programs (Regional Offices)	**1,320**	71
	Special Refugee Contribution Fund	**8,543**	7,249
	Special Emergency Fund for Drought	**13,956**	12,956
	Acquisition of AU Properties	**67,491**	50,911
	Member States -High Level Panel & Minis	**824**	824
	Work on Union Government Proposal	**55**	55
	General Peace Fund (SF005)	**49,989**	41,593
	Solidarity fund (SF007)	**3,190**	3,193
	Acquisition of Washington Office Premises	**91**	91
	Horn of Africa Famine Relief	**2,730**	2,730
	African Women Fund	**3,077**	2,722
	Maintenance Fund	**8,761**	5,892
	AFISMA Trust Fund	**15,000**	15,000
	High Level Panel on Alternative Sources of Financing	**208**	209
		175,235	143,496

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 USD'000	2017 USD'000
24	**Members States' assessed contributions**		
	Assessed contribution	**318,277**	205,150
25	**Members States' assessed contributions Peace Fund**		
	Assessed contribution	**65,000**	65,000

26 Voluntary contribution

These are voluntary Member States contribution to AU NEPAD and AU APRM office

	2018	2017
Rwanda (NEPAD)	**100**	101
Kenya (NEPAD)	**144**	106
Ethiopia (NEPAD)	**-**	100
Senegal (NEPAD)	**-**	481
South Africa (NEPAD)	**512**	519
South Africa - in kind contribution through hosting agreement (NEPAD)	**520**	-
Nigeria (NEPAD)	**1,000**	-
Sudan (NEPAD)	**-**	200
Mali (NEPAD)	**-**	107
Chad (APRM)	**300**	-
Cote d'Ivoire (APRM)	**218**	-
Egypt (APRM)	**200**	-
Equitorial Guinea (APRM)	**700**	-
Ghana (APRM)	**190**	-
Mauritius (APRM)	**200**	-
Mozambique (APRM)	**200**	-
Namibia (APRM)	**198**	-
Nigeria (APRM)	**500**	-
Rwanda (APRM)	**200**	-
South Africa (APRM)	**191**	-
Sudan (APRM)	**99**	-
Tanzania (APRM)	**184**	-
Uganda (APRM)	**271**	-
Zambia (APRM)	**250**	-
	6,177	1,614

27 Partner funds realized

	2018	2017
Peace and security	**262,001**	282,423
Programs	**80,685**	77,319
	342,686	359,742

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 USD'000	2017 USD'000
28	**Other revenue**		
	Disposal of obsolete assets	**65**	-
	AU Clinic	**22**	63
	Rental income	**425**	410
	Interest on bank accounts	**99**	261
	Interest on short-term investments	**663**	463
	Gain on exchange	**294**	512
	Other income	**4,003**	1,898
		5,571	3,607

		2018 USD'000	2017 USD'000
29	**Staff costs**		
	Basic salary	**49,253**	40,958
	Employee benefit	**2,588**	1,087
	Post adjustment allowance	**18,273**	13,966
	Acting allowance	**156**	91
	Temporary assistance	**2,014**	2,331
	Overtime	**415**	285
	Dependency allowance	**1,477**	1,309
	Housing allowance	**16,174**	10,545
	Pension scheme	**9,572**	7,429
	Special allowance/short-term salaries	**65,666**	54,450
	Education allowance	**7,734**	4,606
	Travel on home leave	**762**	772
	Staff leave	**564**	395
	Installation allowance	**1,259**	1,234
	Preferential exchange rate	**1,812**	1,626
	Insurance of personnel	**4,236**	2,189
	Separation cost	**3,076**	2,762
	Staff welfare	**80**	48
	Non-residence allowance	**346**	203
	Cost of initial recruitment	**110**	377
	Transportation of personal effects	**752**	286
	Medical expenses	**4,673**	3,877
	Salaries and allowances - PSO	**-**	16
	Entertainment cost	**3,162**	-
	Other	**15,024**	4,699
		209,178	155,541

		2018 USD'000	2017 USD'000
30	**Subventions to AU Organs**		
	Transfer- African Investment Bank	**-**	27
	ECOSOCC	**757**	960
	African Union Commission on International Law (AUCIL)	**278**	386
	Peace and security Council	**2,092**	379
	African Charter on the Rights and Welfare of the Child	**232**	230
	APRM	**-**	502
		3,359	2,484

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 USD'000	2017 USD'000
31	**Expert fees**		
	Legal fees	**32**	16
	Consultancy fees	**7,096**	7,342
	Audit fees	**327**	143
	Freelance fees	**7,343**	6,337
	Honorarium	**4,636**	1,360
	Software licenses and rental fee	**608**	514
	Brokerage fees	**74**	14
		20,116	15,726
32	**Official missions**		
	Travel tickets	**26,452**	21,854
	DSA	**37,924**	24,381
	Visa fees	**2,630**	156
	Other mission costs	**15,440**	12,517
		82,446	58,908
33	**Other subventions/ grants**		
	Refugees and IDPs	**2,305**	1,969
	Special emergency fund	**1,000**	1,000
	Peace fund	**8,066**	6,892
	Special subvention and grant	**250**	350
	African women fund	**1,152**	492
		12,773	10,703
34	**Grants and donations**		
	Donations	**3**	869
	Grants	**3,170**	1,746
	Awards	**280**	200
		3,453	2,815
35	**Provision for bad debts**		
	Short term receivables(note 12)	**1,343**	-
	Receivable from member states (note 14)	**4,427**	7,634
	Inter-Office	**88**	-
		5,858	7,634

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 USD'000	2017 USD'000
36	**Other operating expenses**		
	Rent	**12,324**	7,702
	Communications	**3,520**	3,589
	Repair and maintenance	**1,558**	927
	Utilities	**896**	1,164
	Hospitality	**265**	397
	Printing and binding	**855**	497
	Publication and periodicals	**1,950**	1,713
	Insurance	**820**	821
	Publicity	**203**	202
	Fuel and lubricants	**673**	617
	Training	**2,622**	9,977
	Inventory adjustments	**-**	1,049
	Others	**2,449**	532
	Unliquidated obligations	**-**	493
	Programme and projects/partners fund expenses	**503**	185
		28,638	29,865
37	**Peace support operations**		
	Peace keepers allowances	**213,404**	222,614
	Death and disability grants	**8,390**	15,035
	Owned equipment fees	**-**	185
		221,794	237,834
38	**Low value Asset/capital expenditure**		
	Buildings	**21**	13
	Motor vehicles	**1,899**	239
	Computer and accessories	**303**	227
	Software	**5**	6
	Office equipment	**308**	299
	Office furniture and fittings	**199**	196
	Household furniture and fittings	**4**	16
	Printing equipment and machines	**13**	1
	Medical equipment	**2,900**	184
	Undistributed assets	**0**	108
	Other assets	**2,686**	1,265
	Security and safety equipment	**37**	3
	Generators	**21**	11
	Transportation equipment	**7**	-
	Conference interpretation	**78**	18
		8,481	2,586
39	**Financial charges**		
	Bank charges	**630**	1,027
	Interest expense	**145**	239
		775	1,266

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2018 USD'000	2017 USD'000
40	**Office supplies and services**		
	Stationery supplies and services	**1,245**	1,080
	Printing and photocopy services	**10**	-
	Printing supplies	**2**	5
	Maintenance supplies	**50**	9
	Other supplies and services	**11,348**	9,734
		12,655	10,828

41 Foreign exchange gains/ (loss)

	2018 USD'000	2017 USD'000
(Loss)/ gain from exchange rate fluctuation	**(1,892)**	13,001

42 African Union Pension Fund

The Organisation for African Unity (the defunct OAU) and the American Life Insurance Company (ALICO) entered into a contract for management of a Pension Fund under policy number 50418 effective 1 January 1992. ALICO terminated the contract with African Union effective 1 September 2017 thereafter the amount accrued to the Pension Scheme was transferred to JP Morgan. The amount is included in note 8 and 17.

43 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.

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, are the elected members of the AU, who together with the PRC constitute the governing body of the AU. This will include the Chairperson, deputy chairperson and the 8 commissioners. The total remuneration is shown below. The key management personnel are provided with vehicle and driver during their tenure. The Chairperson and Deputy Chairperson are provided with a furnished house.

	2018 USD'000	2017 USD'000
Chairperson	**289**	193
Deputy Chairperson	**249**	176
Commissioner for Economic Affairs	**226**	164
Commissioner for Human Res. Science &Tech	**221**	167
Commissioner for Infrastructure & Energy	**212**	182
Commissioner for Political Affairs	**220**	182
Commissioner for Peace and Security	**220**	189
Commissioner for Rural Eco. &Agriculture	**212**	179
Commissioner for Social Affairs	**213**	181
Commissioner for Trade and Industry	**219**	183
Other benefits – defined contribution to ALICO	**334**	235
	2,615	2,031

NOTES TO THE FINANCIAL STATEMENTS (continued)

43. Related parties (continued)

AUC being the secretariat for AU, we only listed those for AUC. The rest of the organs have elected officials who meet 2 to 4 times per year. They are paid various allowances like DSA, Ticket, and Honorarium etc. The day to day running of each Organs is done by the main clerk, registrar or executive secretary as head of each organ ranging from a grade of P5 to D Position.

44. Commitments- Operating lease rentals

The assets held under finance leases should have consistent depreciation policies with assets that are owned (in accordance with IPSAS 17 and IPSAS 31). If no reasonable certainty exists that the lessee will obtain ownership at the end of the lease – the asset should be depreciated over the shorter of the lease term or the useful life [IPSAS 13.36]

The Cairo office has leased office for five years. The lease agreement states that the annual lease amount will be US$ 48,000 for the first two years and then increase by 5% till the end of the lease year. The lease schedule as shown below (US$)

Dates	Lease amount to pay (US$)	Financial year	Actually paid	Lease expense	Lease liability
01.07.14-30.06.15	48	2	24	25	(1)
01.07.15-30.06.16	48	2	48	51	(4)
01.07.16-30.06.17	50	2	50	51	(1)
01.07.17-30.06.18	53	2	53	51	2
01.07.18-30.06.19	56	2	56	51	5
Total lease	**255**				
Lease per year	**51**				

Lease liabilities in USD'000

	2018	2017
Not later than one year	**53**	50
Later than one year and not later than 5 year	**28**	29

Except for disclosure purposes, no record has been made to recognize the lease liability.

45. Employees

The number of employees at the end of the year was 2,273 (2017: 1,783).

46. Old outstanding items that were presented for write off to the PRC

The AU has performed an analysis of old outstanding balances in various financial line items. These balances have been deemed unrecoverable and were presented to the PRC to seek permission for write off from AU's books of accounts, whereby authorization was granted per the Assembly decision: Ext/Assembly/AU/Dec.1-4 (XI). The list of approved balances is presented in appendix IV. A draft write off policy for write off was prepared in the year, lodged with OLC for review and eventual approval.

NOTES TO THE FINANCIAL STATEMENTS (continued)

47. UN logistic support provided to AMISOM

As per the Security Council Resolution 1863 of 16 January 2009, United Nations Support Office for AMISOM (UNSOA) was mandated to provide logistics support for the Mission. The successive Security Council Resolutions have maintained the logistic package, although the name changed from UNSOA to UNSOS (United Nations Support Office for Somalia). The entire support is managed using UN Financial Rules and Regulations and the values of the goods and services acquired are not provided to the AU.

The elements of support cover the following areas:

- Reimbursement of Contingent Owned Equipment;
- Acquisitions of equipment required for troop and police contingents;
- Provision of any other equipment, supplies or services;
- Other logistics requirement for the Mission;
- Hiring personnel, consultants, experts and support staff;
- Outreach activities aimed at the Somali general population and civil society;
- Training and capacity building for the Mission.

48. 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. These terms have the following meaning:

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

A geographical segment is a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives with a particular geographical area. The AU undertakes segment reporting based on the service segments and sources of financing. The reportable operating segments derive their revenue primarily from assessed member states contributions and partner funds.

Member states assessed contribution is received by the AU and sent to each of the entities in the form of subventions. The AU also has 14 liaison offices spread across various African countries. The liaison offices' operations are coordinated from the AU headquarter in Addis Ababa, Ethiopia.

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

- The African Union Commission (AU) headquarter and 15 liaison offices;
- Fourteen (14) specialized agencies and regional offices; and
- Six (6) permanent representation offices.

The complete list of consolidated entities can be found above under section 1.3 "Legal Basis and Scope of the financial statements." Kindly note that IPED and CDC are operated from HQ. Refer to appendix 1 for the segment information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

49. African Peer Review Mechanism (APRM)

The African Peer Review Mechanism (APRM) was established in 2003 as a self-monitoring initiative to promote good governance in Africa and has contributed to the attainment of the goals of NEPAD and the Millennium Development Goals (MDGs). It is a mutually agreed instrument voluntary acceded to by African Union (AU) Member States with the aim of fostering the adoption of policies, standards and practices leading to political stability, high economic growth, and sustainable development and accelerated regional and economic integration.

During the 28th Ordinary Session of the African Union Assembly of Heads of State and Government, held on the 30-31 January 2017 in Addis Ababa, Ethiopia, it was resolved in its decision Assembly/AU/Dec. 631(XXVIII) to seize the African Peer Review Mechanism (APRM) with the responsibility to "play a monitoring and evaluation role for the African Union Agenda 2063 and the United Nations Sustainable Development Goals Agenda 2030". In 2018, a Program budget of U$ 2,747,205 was approved for the APRM Mandate, out of which US$ 2,676,121.15 was transferred for the approved activities of the APRM.

In its decision (Assembly/AU/Dec.1 (XI) of the 11th Extraordinary Session of Assembly of the African Union in November, 2018, the Member States resolved to integrate the APRM budget in the Statutory Union budget funded. In February, 2019 in Addis Ababa, Ethiopia, the 32nd Ordinary Session of the African Union Assembly, the Member States resolved in its decision Assembly/AU/Dec.8 (XXXII) that the APRM shall be an Organ of the Africa Union in line with Article 5 (2) of the Constitutive Act.

APRM had no comparative information at the reporting date.

50. Contingent assets and liabilities

The Union has no contingent assets and liabilities at the reporting date. The Union has a few cases lodged with AU Administrative tribunal. Certain staff or former staff claim high amount, but the awards are minimal ranging from zero to 15,000 maximum.

51. Commitments

The Union has no commitments at the reporting date.

52. Comparative information

Except for African Peer Review Mechanism (APRM) which had no opening balances, the Union restated opening balances of the financial statements as at 31 December 2017 to ensure balances are IPSAS compliant.

APPENDICES

APPENDIX 1 - SEGMENT REPORTING
FOR THE YEAR ENDED 31 DECEMBER 2018
Currency - In US Dollar - US$000

Headquarters/Regional Office	AUC HQ + Liaison Office	Specialized Agencies	Permanent Representation offices	Organs	AU total
	USD'000	USD'000	USD'000	USD'000	USD'000
REVENUE					
Member States' assessed contributions	318,277	-	-	-	318,277
Member State assessed contribution- Peace Fund	65,000	-	-	-	65,000
Partners Funds realized	315,312	12,351	-	15,023	342,686
Voluntary contribution	-	-	-	6,177	6,177
Other revenue	2,194	297	338	2,742	5,571
TOTAL REVENUE	**700,783**	**12,648**	**338**	**23,942**	**737,711**
EXPENSES					
Staff costs	138,316	22,677	8,976	39,209	209,178
Subventions to AU organs	3,359	-	-	-	3,359
Expert fees	10,646	3,179	15	6,276	20,116
Exchange loss (net)	108	67	3	1,714	1,892
Official missions	58,696	6,391	347	17,012	82,446
Other subventions/grants	12,773	-	-	-	12,773
Grants and donations	3,194	238	-	21	3,453
Provision for bad debt	5,742	-	-	116	5,858
Depreciation	5,001	515	708	361	6,585
Other operating costs	16,896	4,392	1,171	6,179	28,638
Peace and security operations	221,794	-	-	-	221,794
Low value asset/capital expenditure	4,977	3,204	27	273	8,481
Financial charges	352	79	12	332	775
Office supplies and services	11,091	687	87	790	12,655
TOTAL EXPENSES	**492,945**	**41,429**	**11,346**	**72,283**	**618,003**
Surplus/ (deficit) for the year	**207,838**	**(28,781)**	**(11,008)**	**(48,341)**	**119,708**
Segment assets	**1,301,974**	**16,807**	**48,212**	**40,077**	**1,407,070**
Segment liabilities	**(446,218)**	**(27,564)**	**(642)**	**(24,586)**	**(499,010)**
Segment net assets	**855,756**	**(10,757)**	**47,570**	**15,491**	**(908,060)**

Appendix II – STATEMENT OF RECEIVABLE FROM PARTNERS

		2018	2017
Account ID	**Partners/Fund Name**	**US$'000**	US$'000
300067	AU/GTZ PROJECT (BIOSAFETY)	-	7,835
300080	JFA	**1,398,315**	1,398,315
300087	GTZ - PASU-SPPME	**75,337**	75,337
300170	AUC-JPA- CAPACITY BUILDIN	**1,545,476**	1,545,476
300195	INTERNATIONAL FOOD POLICY	-	-
300215	USAID DISBURSEMENT TO AU	**541,781**	316,268
300237	ADF 45M GRANT TO PAU	**6,921,616**	-
300241	EC 30 MILLION EURO SUPPOR	-	841,851
300261	EQUATORIAL GUINEA CONTRIB	**103,104**	103,104
300268	WORLD BANK - 27M	-	108,029
300282	EU SUPPORT FOR ACP DRR PR	-	37,352
300304	KENYA SUPPORT TO THE AFRI	**163,847**	163,847
300322	UNF SUPPORT TO AUC-17887	-	2,893
300327	USAID TO AUC DEMAND REDUC	-	17,668
400121	PSD JOINT SALARIES FUND	-	5,097,765
400151	JFA PARTNERS TO AULO	-	48,157
400192	EU CONTRIBUTION TO AMANI	-	1,033,619
400222	EC CONTRIBUTION TO LRA II	-	567,215
400235	EU CONTRIBUTION TO AMISOM	-	30,836
400243	EC CONTRIBUTION TO AMISOM	-	13,904,090
400246	EU SUPPORT AGAINST LRA	-	244,625
400249	EU SUPPORT TO AMISOM XVI	**4,341,328**	4,341,328
400261	EU SUPPORT TO RCI-LRA III	-	304,748
400272	EC SUPPORT TO AMISOM XVII	**2,811,806**	-
400273	DANISH SUPPORT APP IV	**195,573**	-
		18,098,183	30,190,358
	Regional Offices	**264,652**	2,909,946
	Organs	**39,953**	514,483
	Provisions	**(4,247,788)**	(4,247,788)
	Total	**14,155,000**	29,366,848

Appendix III – STATEMENT OF DEFERRED REVENUE – FUND UNEXPENDED FOR CASH COLLECTED

		2018	2017
Account ID	**Partners/Fund Name**	**US$'000**	**US$'000**
200028	UNECA	**(37,259)**	(37,259)
200035	INTERNATIONAL LABOR ORGAN	-	(31,784)
200051	KUWAIT SUPPORT FUND	**(391,709)**	(581,640)
300018	SPAIN FUND	**(2,738,101)**	(2,332,643)
300021	UNODC FUND	-	(5,665)
300047	EMBASSY OF THE REPUBLIC	**(2,848,314)**	(3,316,531)
300065	CHINA CONTRIBUTION TO AU	**(3,673,322)**	(3,382,482)
300086	FRENCH CONT. TO ECOSSOC	**(61,026)**	(61,026)
300106	UNITED NATION ENVIRNMENTA	**(24,885)**	(60,007)
300107	ALGERIA ELECTORAL ASSISTA	**(142,373)**	(154,324)
300135	DANISH SUPPORT TO PILLAR	**(421,077)**	(420,330)
300172	LUXEMBURG AGENCY FOR DEVE	**(680,519)**	(793,916)
300190	ROCKEFELLER FOUNDATION	**(56,666)**	(6,681)
300195	INTERNATIONAL FOOD POLICY	**(48,595)**	(40,656)
300205	PERMANENT MISSION OF THE	**(6,563)**	(28,707)
300211	UN-AIDS AWA REVITALISATIO	-	(3,279)
300225	SOUTH AFRICAN VOLUNTARY	**(222,413)**	(192,813)
300237	ADF 45M GRANT TO PAU	-	(4,877,491)
300240	ADMINISTRATIVE COST FROM	**(23,225,801)**	(16,625,936)
300243	PARTNERSHIP FOR AFLATOXIN	-	(389,817)
300244	SOUTH KOREA CONTRIBUTION	**(2,099,462)**	(1,486,294)
300255	AFDB SUPPORT TO PIDA -210	**(74,230)**	(279,914)
300256	JPA-ELECTIONS	**(622,522)**	(890,271)
300257	JPA-GOVERNANCE	**(828,354)**	(1,128,587)
300260	JPA CAPACITY BUILDING PHA	**(946,886)**	(3,060,349)
300263	SUPPORT TO EBOLA OUTBREAK	**(5,020,322)**	(9,516,856)
300264	UNITED NATION FOUNDATION	-	(33,806)
300268	WORLD BANK - 27M	**(25,599)**	(1,493,026)
300270	NIGERIA ELECTION ASSISTAN	-	(6,351)
300272	AFRICAN REHABILITATION IN	**(83,386)**	(83,386)
300273	KAZAKHSTAN SUPPORT TO AFR	-	(9,862)
300274	AFRICAN DEVELOPMENT BANK	**(19,053)**	(15,652)

Account ID	Partners/Fund Name	2018 US$'000	2017 US$'000
300279	ECA SUPPORT FOR TRADE AND	(9,571)	(9,571)
300280	SUPPORT TO AUC-GIZ - FA-2	-	(23,555)
300281	AU-ACBF II SPECIAL ACCOUN	-	(656)
300282	EU SUPPORT FOR ACP DRR PR	(1,026,708)	-
300283	DFID SUPPORT TO TRADE AND	(163,283)	(162,855)
300285	US DRUG CONTROL - INL GRA	(517,042)	(171,308)
300286	GIZ SUPPORT TO THE AFRICA	-	(47,478)
300289	FORD FOUNDATION PHASE II	(87,541)	(21,625)
300290	UN FOUNDATION-GRANT UNF-1	-	(6,726)
300293	HUAWEI SUPPORT TO INFRAST	(15,738)	(15,738)
300294	ITALY CAPACITY BUILDING F	(69,578)	(69,578)
300296	UNHRC SUPPORT TO ACERWC	-	(2,208)
300297	SUPPORT TO AFRICA CDC	(537,552)	(1,079,552)
300298	ITALIAN SUPPORT TO THE AU	(284,427)	(280,093)
300299	EC AU RESEARCH GRANTS	(8,259,829)	(3,722,660)
300302	JAPAN SUPPORT TO AU WOMEN	(103,118)	(102,723)
300303	NORWEGIAN SUPPORT TO MFA-	(562,012)	(945,236)
300305	AU SUPPORT PROGRAMME III	(3,042,830)	(1,124,667)
300308	AFDB SUPPORT TO SUPPORT C	(234,368)	(734,724)
300309	NORWEGIAN SUPPORT TO AFRI	(129,120)	(311,965)
300310	PANAF/2016/374-120	(367,596)	(123,170)
300311	AU-JFA SUPPORT TO WGD PRO	(76,162)	(154,642)
300312	GLOBAL MONITORING FOR ENV	(5,858,760)	(4,503,930)
300314	BGMF SUPPORT TO PACA II	(80,580)	(120,588)
300318	ECOBANK	-	(12,730)
300320	CANADIAN SUPPORT TO COMMO	(764,442)	(339,748)
300321	MARS SUPPORT TO PACA	-	(20,860)
300322	UNF SUPPORT TO AUC-17887	(86,367)	-
300323	FORD SUPPORT TO HRST PHA	(294,390)	(195,804)
300324	JAPAN SUPPORT TO AFRICA C	(84,262)	(198,922)
300326	AFDB SUPPORT FOR THE ORGA	(77,362)	(93,721)
300328	BILL AND MELINDA GATES FO	(834,675)	(800,221)
300329	USA SUPPORT TO ESTABLISHM	(101,974)	(455,311)

Account ID	Partners/Fund Name	2018 US$'000	2017 US$'000
300330	GIZ SUPPORT TO CFTA-CONTR	**(415,920)**	(165,707)
300331	U.S DEPARTMENT OF AGRICUL	**-**	(37,880)
300332	FAO SUPPORT TO AU	**(34,916)**	(22,500)
300334	AU JPA/AUSTRALIA SUPPORT	**(587,021)**	(758,023)
300335	JAPAN SUPPORT TO AFRICA C	**(1,000,000)**	-
300339	UNECA SUPPORT TO THE AFRI	**(84,000)**	-
300341	UK SUPPORT TO SOCIAL AFFA	**(312,096)**	-
300346	UNDP SUPPORT TO AFRICA MI	**(323,799)**	-
300347	GIZ Support to CAADP Policy	**(89,325)**	-
300348	China Support to AU Office in Beijing	**(282,295)**	-
300349	Italy Support –Renewable Energy Cap Building	**(418,852)**	-
300350	Norwegian Support to AUC-DPA	**(590,842)**	-
300359	Peace Funds : US FUND	**(168)**	-
300366	GIZ Support to AMIC- 81226354	**(268,348)**	-
400015	CHINA CONTRIBUTION FOR AM	**(4,494,749)**	(3,918,015)
400034	FINLAND CONTRIBUTION	**(283,765)**	(612,541)
400039	GERMAN-AFRICAN BORDER PRO	**(246,186)**	(284,871)
400043	ITALIAN CONTR.SOMALIA (AM	**(6,000)**	(6,000)
400050	JAPANESE CONTRIBUTION	**(5,535)**	(5,535)
400071	JAPANESE CONTRIBUTION-DIF	**(58,531)**	(58,531)
400075	SWEDEN CONTR. TO AMISOM	**(84,676)**	(84,676)
400092	EU CONTRIBUTION TO EARLY	**-**	(363,514)
400093	DANISH CONTRIBUTION TO AM	**(1,009,737)**	(2,419,382)
400097	GTZ GRANT FOR ASF POLICE	**(180,343)**	(329,309)
400112	ITALY CONTRIBUTION TO AUH	**(28,470)**	(27,954)
400121	PSD JOINT SALARIES FUND	**(778,558)**	-
400125	JAPAN CONTRIBUTION FOR YE	**(254,668)**	(15,252)

		2018	2017
Account ID	**Partners/Fund Name**	**US$'000**	US$'000
400140	LUXEMBURG CONTRIBUTION	**(1,275)**	(1,275)
400145	EU CONTRIBUTION TO APSA	**(1,152,615)**	(7,916)
400147	INDIAN CONTRIBUTION	**(1,490,708)**	(1,684,602)
400151	JFA PARTNERS TO AULO	**(1,317,687)**	-
400177	EU SUPPORT TO TRAINING IN	**(103,300)**	(1,582,058)
400185	RUSSIAN FED. CONTRIBUTION	**(525,432)**	(710,479)
400190	GIZ SUPPORT TO ESTABLISHM	**(36,682)**	(36,682)
400191	REPUBLIC OF TURKEY CONTRI	**(104,457)**	(104,457)
400198	GIZ -KFW CONTRIBUTION	-	(12,690)
400199	NETHERLANDS CONTRIBUTION	**(253,647)**	(697,758)
400200	UK CONTRIBUTION TO ASI -C	-	(74,661)
400201	UK CONTRIBUTION TO CEWS	-	(427,431)
400202	MEMBER STATES CONTRIBUTIO	**(33,092)**	(33,092)
400206	AUSTRIAN CONTRIBUTION GE	**(324,611)**	(343,395)
400210	USA CONTRIBUTION FOR DEFE	**(10,495)**	(10,495)
400214	APP-III DANISH AFRICAN PR	**(1,525,789)**	(2,626,432)
400217	UK CONTRIBUTION TO SEXUAL	-	(172,639)
400218	KENYA CONTRIBUTION TO ASF	**(750,480)**	(886,445)
400219	UK CONTRIBUTION TO GENDER	-	(1,190,009)
400221	EC SUPPORT TO C3IS	**(14,121,501)**	(14,120,582)
400223	UK CONTRIBUTION TO PCRD	-	(1,245,378)
400227	PILLAR I GENDER PSD PROGR	**(19,801)**	(24,996)
400228	ITALY CONTRIBUTION TO PAN	-	(21)
400229	UK CONTRIBUTION TO SPECIA	-	(3,045)
400230	UK CONTRIBUTION TO MNJTF	**(1,659,319)**	(1,666,276)
400232	ITALY CONTRIBUTION TO TAN	**(6,241)**	(6,241)
400234	NORWAY CONTRIBUTION TO GE	**(170,761)**	(238,648)
400236	UK CONTRIBUTION TO CEWS M	-	(235,714)
400237	NORWAY CONTRIBUTION TO MI	**(1,168)**	-
400238	SWITZERLAND CONTRIBUTION	**(104,980)**	(104,980)

		2018	2017
Account ID	**Partners/Fund Name**	**US$'000**	**US$'000**
400239	ERM II	**(2,733,081)**	(5,544,671)
400241	JAPAN SUPPORT TO AU MISSI	**(21,205)**	(74,936)
400242	EU INTERIM APSA SUPPORT P	**(1,558,065)**	(1,332,950)
400245	UNDP CONTRIBUTION FOR AU	**(271)**	-
400247	USA SUPPORT TO BURUNDI NA	**(126,229)**	(165,218)
400248	EU SUPPORT TO MNJTF	**(20,421,630)**	(30,131,919)
400250	EC CONTRIBUTION TO APSA I	**(9,957,351)**	(7,636,714)
400251	UNICEF CONT. FOR CHILD P	**(7,214)**	(110,000)
400253	EU SUPPORT TO HUMAN RIGHT	**(304,540)**	(3,831,499)
400254	SWISS CONTRIBUTION FOR DS	**(78,526)**	(132,061)
400255	UNITED NATIONS SUPPORT	**(300,000)**	(300,000)
400256	UN SUPPORT FOR SALW-PSSM	**(52,412)**	(59,666)
400257	EC CONTRIBUTION TO AMISOM	**(2,455,582)**	(1,912,132)
400258	GERMEN CONTRIBUTION TO AU	**(71,906)**	(141,108)
400260	DANISH SUPPORT	**-**	(17,143)
400261	EU SUPPORT TO RCI-LRA III	**(70,407)**	(484,943)
400264	UNDP SUPPORT AMISOM	**(228,624)**	(286,484)
400265	GIZ SUPPORT TO PANEL	**(93,522)**	(93,522)
400266	GIZ SUPPORT TO AU	**(816,056)**	(983,778)
400267	KAZAKHISTAN SUPPORT TO AM	**(137,058)**	(214,994)
400268	REPUBLIC OF KOREA CONTRIB	**(7,047,021)**	(4,000,000)
400269	GIZ SUPPORT TO AU CONTINE	**-**	(68,000)
400270	JAPAN SUPPORT TO PEACE &	**(18,437)**	-
400271	EC SUPPORT TO GDTC-AMISOM	**(1,990,835)**	-
400275	EU SUPPORT TO AMISOM XIX	**(6,926,284)**	-
400276	Norway Contribution to PSD	**(1,060,577)**	-
		(160,728,445)	(163,053,245)
	Regional Offices	**(19,634,864)**	(14,097,225)
	Organs	**(13,046,741)**	(12,829,335)
		(193,410,050)	(189,979,805.34)

Appendix IV – Approved OLD ITEMS FOR WRITE OFF by policy Organs (XL Attached to minize page)