



TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION

If there is a # of a Rfs <# of RfS>

The present terms of reference apply to the verification of expenditure declared in financial reports under the following contracts:

1) Contract¹ number / IT system: 2014/414-176 “I participate! My voice, my vote counts

[An audit of the design and operating effectiveness of the internal control system governed by ISAE 3000 is also requested for which the procedures described in annex 4 should be carried out and a systems audit report should be presented based on the template in annex 5.]

[2) Contract number / IT system: 2014/414-176 “I participate! My voice, my vote counts”

An audit of the design and operating effectiveness of the internal control system governed by ISAE 3000 is also requested for which the procedures described in annex 4 should be carried out and a systems audit report should be presented based on the template in annex 5.]

< 2014/414-176 “I participate! My voice, my vote counts”>

Detailed information is provided at the cover page of Annex 1

- **How the model should be completed by the Contracting Authority**

- **(also applies to Annexes 1 and 2)**

- **insert** the information requested between the <...>
- **choose** the optional text between [...] highlighted in grey when applicable or delete
- **delete** all yellow instructions and the present text box

The standard wording can only be modified in exceptional cases and after prior consultation of DEVCO R2, Audit & Control Unit.

¹ Contract in relation to which the financial report subject to verification is issued. The contract established with the expenditure verifier will be identified as "Verification Contract"

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1 Introduction

The present document and the Annexes listed in Section 8 are the terms of reference ('ToR') on which the **Contracting Authority** agrees to engage 'the Expenditure Verifier' to perform a verification of expenditure reported by Reporting Entities.

These ToR will become an integral part of the contract concluded between the Contracting Authority and the Expenditure Verifier.

They apply to expenditure verifications contracted by the Commission or by the Reporting Entity and cover the verification of expenditure incurred under the EU financed contracts on the cover sheet.

2 Objectives and context

The Expenditure Verifier is expected

- to carry out the agreed-upon procedures listed in Annex 2, and
- to issue reports based on the template in Annex 3 which will support the Contracting Authority's conclusions on the eligibility of the reported expenditure and the related follow-up.

The expenditure verification will be performed as a desk review and fieldwork at the location indicated in Annex 1.

The Expenditure Verifier is not expected to provide an audit opinion.

3 Standards and Ethics

The Expenditure Verifier shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the Expenditure Verifier is independent from the Reporting Entity and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

4 Requirements for the Expenditure Verifier

4.1 General Principles

By agreeing these ToR, the Expenditure Verifier confirms meeting at least one of the following conditions:

- The Expenditure Verifier is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- The Expenditure Verifier is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Expenditure

Verifier commits to undertake this expenditure verification in accordance with the IFAC standards and ethics set out in these ToR.

- The Expenditure Verifier is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state)².
- The Expenditure Verifier is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

4.2 Qualifications, Experience and Team Composition

4.2.1 Qualifications and Experience

The Expenditure Verifier will employ staff with appropriate professional qualifications and suitable experience with IFAC standards and with experience in verifying financial information of entities comparable in size and complexity to the Reporting Entity. In addition, the verification team as whole should have:

- Experience with programmes and projects related to External Relations funded by national and/or international donors and institutions. It is desirable that the team leader and, where applicable, the fieldwork team, i.e. either the audit manager (category 2) or the senior auditor (category 3) has experience with audits of EU funded External Relations actions.
- [Experience with audits/verifications in Albania, WB region or Europe.
- [Experience with audits/verifications of similar projects funded by different donors, with a special focus of EU funded projects.
- [Sufficient knowledge of relevant laws, regulations and rules in the country concerned. This includes but is not limited to taxation, social security and labour regulations, accounting and reporting.]
- [Fluency in Albanian
- [A good knowledge of English]

² Directive 2006/43 of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253 EEC.

4.2.2 Team Composition

The team of auditors required for this engagement will be composed of a category 1 auditor who has the ultimate responsibility for the expenditure verification and a team which is composed of an appropriate mix of category 2 – 4 auditors.

4.2.3 Categories of staff/experts

Category 1 – (Audit Partner)

A Category 1 expert (audit partner) should be a partner or another person in a position similar to that of a partner and be a highly qualified expert with relevant professional qualifications who assumes or has assumed senior and managerial responsibilities in public audit practice.

He/she should be a member of a national or international accounting or auditing body or institution. He/she must have at least 12 years of professional experience as a professional auditor or accountant in public audit practice. Experience with audit related services in beneficiary countries of EU External Action Programmes will particularly be taken into account for the evaluation at the level of specific contracts.

The audit partner will be the person who will be responsible for the specific contract and its performance as well as for the report that is issued on behalf of the firm. He/she has the appropriate authority from a professional, legal or regulatory body and is authorized to certify accounts by the laws of the country in which the audit firm is registered.

Category 2 – (e.g. Audit Manager)

Audit managers should be qualified experts with a relevant university degree or professional qualification. They should have at least 6 years of experience as a professional auditor or accountant in public audit practice including relevant managerial experience of leading audit teams.

He/she should be a member of a national or international accounting or auditing body or institution.

Category 3 – (e.g. Senior Auditor)

Senior auditors should be qualified experts with a relevant university degree or professional qualification and at least 3 years professional experience as a professional auditor or accountant in public audit practice.

Category 4 – (e.g. Assistant Auditor)

Assistant auditors should have a relevant university degree and at least 6 months professional experience in public audit practice.

4.2.4 Curricula Vitae (CVs)

The Expenditure Verifier will provide the Contracting Authority with CVs of the staff/experts involved in the expenditure verification. The CVs will include appropriate details for the purpose of the evaluation of the offer on the relevant specific experience for this expenditure verification and the qualifying work carried out in the past.

5 Scope

5.1 Contracts and Financial Reports covered by these ToR

The Contract(s) and Financial Reports subject to this expenditure verification are indicated on the cover sheet and in Annex 1.

5.2 Conditions for Eligibility of Expenditure

The conditions for eligibility are stipulated in the Contracts which are provided in Annex 1 (including riders).

Further documents (e.g. Financing Decisions, Financing Agreements, Framework Agreements) that the Expenditure Verifier might deem to be required for the purposes of this expenditure verification will be provided by the Contracting Authority on request.

Expenditure Verifiers will inform the Contracting Authority as soon as possible about any limitations in the scope of work they may find prior to or during the verification.

The Expenditure Verifier will report any attempt by the Reporting Entity or its staff to restrict the scope of the verification, or any lack of co-operation on the part of the Reporting Entity or its staff. The Expenditure Verifier will consult the Contracting Authority on what action may be required, whether or how the expenditure verification can be continued and whether changes in the verification scope or the timetable are necessary.

6 Verification Process and Methodology

6.1 Preparation of the Verification

The Expenditure Verifier shall contact the Reporting Entity as soon as possible (and no later than 7 calendar days) after the formal announcement by the Contracting Authority of the expenditure verification to the Reporting Entity, so as to prepare the verification and to agree on the timing for carrying out the expenditure verification, notably with regard to fieldwork (if any) (see Section 6.2. for applicable maximum time lags). The Expenditure Verifier will then also confirm with the Reporting Entity the location(s) indicated in Annex 1 and ensure that relevant supporting documents as well as key staff will be available during the verification.

6.2 Preparatory Meeting, Fieldwork, Desk Review

[The Contracting Authority foresees a preparatory meeting with the Expenditure Verifier which will be held at Albanian Helsinki Committee premises located on the following address Rr. “Brigada e VIII”, Pall TeknoProjekt, Ap.10, Kati 5 Tirana-Albania.

The field work or desk review shall commence as soon as possible and not later than 7 days after the signature of the verification contract or the date of availability of the Financial Report (i.e. financial report, supporting documents and other relevant information).

6.2.1 Engagement Context, Materiality, Risk Analysis, Sampling

The Expenditure Verifier's procedures should include:

- obtaining a sufficient understanding of the engagement context including the contractual conditions, the Reporting Entity and the applicable EC laws and regulations which are set out in Section 5 above (Scope). The Expenditure Verifier should pay specific attention to the contractual provisions relevant for the following aspects:
 - documentation, filing and record keeping for expenditure and income;
 - eligibility of expenditure and income;
 - procurement and origin rules insofar as these conditions are relevant to determine the eligibility of expenditure;

- asset management (management and control of fixed assets; e.g. equipment).
- cash and bank management (treasury);
- payroll and time management;
- accounting (including the use of exchange rates) and financial reporting of expenditure and income; and
- internal controls and notably financial internal controls.

The understanding should be sufficient to identify and assess the risks of material errors or misstatements in the expenditure and revenue stated in the Financial Report in order to determine the size and structure of the expenditure sample to be tested, whether caused by error or fraud, and sufficient to design and perform further verification procedures.

- performing a risk analysis (Annex 2).

The outcome of the risk analysis has to be clearly described in the Verification Report (Annex 3, Section 2.1);

- determining the sample size;

For the purpose of determining what the overall material misstatement or error is, the Expenditure Verifier will apply a materiality threshold of 2% of the total amount of the gross reported expenditure with a confidence level of 95%.

- establishing the sample and selecting the individual items for testing (Annex 2).

The link between the risk assessment and the size and composition of the sample, as well as the sampling method (statistical/non-statistical) must be clearly described in the Verification Report (Annex 3, Section 2.2);

6.2.2 Fieldwork / Desk Review

The main task during the fieldwork or desk review will be to perform the substantive tests (Annex 2, Section 2). Key information about the testing process must be provided in the Verification Report (Annex 3, Section 4.1).

6.2.3 Debriefing Memo and Closing Meeting

At the end of the fieldwork or desk review, the Expenditure Verifier should prepare a debriefing memo, organize a closing meeting with the Reporting Entity in order to discuss the findings, obtain its initial comments and agree on additional information to be provided at a later date. [If the Reporting Entity is not the Contracting Authority for the expenditure verification, the representative of the Commission in charge of the audit will be invited to attend the closing meeting.]

6.2.4 Complementary Letter

The Expenditure Verifier may at any time during the expenditure verification process draw up a complementary letter to inform the Commission about facts and issues that are considered of particular interest and importance. Suspicions of fraud or irregularity should be reported immediately.

6.2.5 Documentation and Verification Evidence

The evidence to be used for performing the procedures in Annex 2 is all financial and non-financial information which makes it possible to examine the expenditure declared in the Financial Report.

The Expenditure Verifier documents matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISRS 4400 and these ToR.

6.3 Reporting

6.3.1 Structure and Content of the Report

The use of the Expenditure Verification Report template in Annex 3 of these ToR, including the annexed tables, is **compulsory**.

If the verification scope covers Financial Reports related to different Contracts, a separate and specific report should be issued for each Contract.

The report should provide basic information about the Contract and should describe the outcome of the risk analysis and its implications on the sampling. The report should also give an overview of the substantive testing and fully disclose the information regarding the items included in the expenditure population and in the sample. The report should finally detail the findings identified through the performance of the agreed-upon procedures.

The report should be presented in English. [An executive summary of the report in English should be provided along with the report.]

The Expenditure Verifier will submit within 21 working days of the conclusion of the field work a draft report to the Reporting Entity for comments to be received within 21 working days. This delay expired, the Expenditure Verifier will provide the final report to the Reporting Entity within 7 working days from the receipt of the comments (if any).]

6.3.2 Expenditure Verification Findings and Recommendations

The factual findings shall be reported in accordance with the formats and criteria specified in the Expenditure Verification Report template (Annex 3). The description of findings will include the standard applied (e.g. art. xx of the General Conditions of the Contract), the facts and the analysis of the Expenditure Verifier.

The verification report should include all financial findings made by the Expenditure Verifier, regardless of the amount involved. Changes in the financial findings occurring between the draft and the pre-final or final report as a result of the consultation procedure should be clearly and sequentially reported.

6.3.3 [Debriefing Meeting with the Contracting Authority

The Contracting Authority foresees a meeting with the Expenditure Verifier following receipt of the pre-final report. This meeting will be held at Albanian Helsinki Committee premises located on the following address Rr. "Brigada e VIII", Pall TeknoProjekt, Ap.10, Kati 5 Tirana-Albania.

7 Other Matters

7.1 Subcontracting

The Expenditure Verifier will not subcontract without prior written authorisation from the Contracting Authority.

8 Annexes

Annex 1 - Engagement Context / Key Information

Annex 2 – Guidelines for Risk Analysis and Verification Procedures

Annex 3 - Model for Expenditure Verification Report

TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION

Annex 1: Engagement Context / Key Information

Contract³ and report summary

Contract number / IT system:	2014/414-176
Contract title:	“I participate! My voice, my vote counts”
Contract type:	Grant Contract
Financial Report(s) subject to verification:	<16/03/2020-16/03/2022> <16/03/2021-16/03/2022>
Reporting Entity:	Albanian Helsinki Committee
Other Spending Entities ⁴	N/A
Country:	Albania
Commission Service in charge of the Contract:	DG-Near/EUD in AIBANIA
Contracting Authority for the expenditure verification:	Albanian Helsinki Committee>
[the following information is needed only for verifications launched by the Commission	
Audit Module record:	<example: 95592 / one record per Contract subject to verification>
Verification Contract number / IT system:	<2014/414-176 >]

³ Contract in relation to which the financial report subject to verification is issued. The contract established with the expenditure verifier will be identified as "Verification Contract"

⁴ The term "Other spending entities" identifies the entities, beyond the reporting one, which incurred part of the reported expenditure.

A Logistics		
Issue	Question	Reply
Locations	1. Where do the Reporting Entity and Other Spending Entities retain the accounting records?	AHC uses a financial program called Alpha web to retain the accounting records
	2. Where do the Reporting Entity and Other Spending Entities retain the original supporting documents?	The original supporting documents are backed up online as well as in physical files safely located at AHC offices.
	3. Where were contractual activities carried out?	Throughout the Albanian Territory
	4. Where are key project staff available to provide information and explanations?	In AHC office, in Tirana, Albania
Languages	5. Which is the contractual language?	English
	6. Which is the language of the accounting records?	Albanian/English
	7. Which are the languages of supporting documents?	Albanian/English
	8. Which languages are spoken by key project staff?	Albanian/English

B Contractual Conditions		
Contract amount	9. What is the total amount of the contract?	302,967.97 EUR
EC contribution	10. What is the amount of the EC contribution?	287,819.57 EUR
Other contributions	11. Which are the other sources of funding (including the Reporting Entity)?	AHC funding – 5% of the overall budget amounting to 15,147.4 EUR
		Source 2 / amount
		Source 3 / amount
		Source 4 / amount
		Source 5 / amount

C Financial Report (enclosed as Annex 1.1)		
Financial report	12. Approximately how many expense transactions have been reported / are expected to be reported in the Financial Report?	Over 100
	13. What is the distribution of these transactions (e.g. capital expenditure, operating expenditure, fees, simplified costs, per diem, etc.), Are the transactions few/many of large/small value?	The transactions were made for operating expenses, fees for experts, transportation cost, cost for evaluating subgrants, simplified cost, cost for financial third parties, per diem etc. The transactions are many of small and large value.
	14. To what extent have Project transactions been carried out in cash?	Low

	15. In which currencies has expenditure been incurred?	ALL, EUR
	16. What is the reporting currency?	EUR
	17. How many other Financial Reports have already been presented by the Reporting Entity under this contract?	2

D Procurement

Procurement	18. How many procurement procedures have been undertaken during the period covered by the Financial Report?	10
	19. Was the EC involved in any of the procurement procedures referred to in question 18 (e.g. ex-ante verifications or derogations to the rule of origin)?	No
	20. Are works done and supplies delivered under the contract located centrally or are they dispersed?	Located centrally

E Previous contracts verifications, audits or monitoring

Previous verifications, audits or monitoring	21. Which previous experience did the Entity have with EC contracts and associated regulations?	AHC has had previous EU funded projects, including projects with sub granting schemes – therefore has a very good understanding of EC rules and regulations.
	22. How many of the previously presented Financial Reports (if any) have been subject to audit/verification by external consultants contracted by the Contracting Authority?	N.A
	23. Have any verification, audit or monitoring exercises other than those referred to under numeral 22 been carried out with regard to the contract or the Reporting Entity that are relevant for the scope of the current verification?	Yes, one expenditure verification was carried out specifically for the projects funded under the sub granting scheme.
	24. Have any significant findings been raised under the exercises referred to in questions 22 and 23? If so, what are they?	Findings were related to the grantees not to the Contracting Authority.
	25. Have any instances of fraud or irregularities been previously identified in dealings with the particular Entity?	No

Annex 1/<...>.1: Financial Report(s) to be verified

F Contact Details

Reporting Entity: Albanian Helsinki Committee

Address	Rr. "Brigada e VIII", Pall TeknoProjekt, Ap.10, Kati 5 Tirana-Albania	Country	Albania
Phone	+355 (0)4 233671	Fax	
Website	www.ahc.org.al		

Key contact : office@ahc.org.al

Annex 1/<...>.2: Contract and riders

<Other documents to be sent to the Auditor, (e.g. narrative reports, previous audit reports)>



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Annex 2: Guidelines for risk analysis and verification procedures

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1. RISK ANALYSIS AND DETERMINATION OF THE SAMPLE

The Expenditure Verifier should assess the risks of material errors or misstatements in the expenditure and revenue declared in the Financial Report in order to determine the size and structure of the expenditure sample to be tested according to the procedures described in Section 2.

This work involves an assessment of the inherent risks that:

- The Financial Report is not reliable, i.e. that it does not present, in all material aspects, the actual expenditure incurred and the revenue received in conformity with applicable conditions.
- Expenditure declared in the financial report has not, in all material aspects, been incurred in conformity with applicable contractual conditions.
- Revenues generated by the Reporting Entity in the execution of the contract are not deducted from the declared expenditure in conformity with applicable conditions.
- Fraud and irregularities have occurred which could have had an impact on expenditure and/or revenue reported under the contract.

The Expenditure Verifier should assess the inherent risk based, inter alia, on the number and complexity of the transactions, the complexity of the activities provided for by the Contract, the number of implementing Entities involved and the environment where the Contract is implemented. In addition the Expenditure Verifier, based inter alia on the information provided in annex 1 to the Terms of Reference (*Engagement Context / Key Information*) will consider the control risk, i.e. whether the design of the Internal Control System sufficiently mitigates the identified inherent risks and whether it is plausible that it is operating effectively.

2. EXPENDITURE VERIFICATION PROCEDURES

The following checks must be performed by the Expenditure Verifier unless they are irrelevant in relation to the eligibility criteria applicable to the contract type. Therefore the Expenditure Verifier is required to gain appropriate understanding of such requirements in order to carry out only the relevant checks and properly apply the relevant eligibility requirements.

2.1 *The expenditure was incurred by and pertains to the Entity.*

2.2 *The expenditure is recorded in the accounting system of the Reporting Entity or of the Other Spending Entities.*

The expenditure is recorded in the accounting system of the Reporting Entity or of the Other Spending Entities in accordance with the applicable accounting standards and the Reporting Entity's usual cost accounting practices.

2.3 *Expenditure incurred during the contractual eligibility period*

The expenditure declared in the financial report was incurred during the contractual implementation period of the Action, except for expenditure relating to final reports, expenditure verification, audit and evaluation. Expenditure paid after the submission of the financial report, is listed in the final report along with the estimated date of payment.

2.4 Expenditure indicated in the contractual estimated budget

The expenditure included in the financial report was indicated in the contractual budget.

The applicable budget ceilings were not exceeded.

The expenditure has been allocated to the correct heading of the Financial Report.

2.5 Expenditure necessary for the implementation of the contractual activities, reasonable and justified

It is plausible that the direct and indirect expenditures included in the financial report were necessary for the implementation of the contractual activities.

The amount of the expenditure items included in the financial report is reasonable and justified and respects the principle of sound financial management.

2.6 Expenditure identifiable and verifiable

The expenditure is backed up by sufficient supporting documentation (e.g. invoices, contracts, order forms, pay slips, time sheets) and proof of payment.

Where expenditure was apportioned, the applied allocation key was based on sufficient, appropriate and verifiable underlying information.

The expenditure is backed up by evidence of works done, goods received or services rendered. The existence of assets is verifiable.

2.7 Compliance with Procurement Principles and Nationality and Origin Rules

For the expenditure items concerned, the Reporting Entity has complied with the contractual requirements for procurement. Contractual nationality and origin rules have been applied, including those on derogations to be awarded by the Commission.

2.8 Expenditure complies with the requirements of applicable tax and social legislation

For the expenditure items concerned the Reporting Entity complies with the requirements of tax and social security legislation (for example: employer's part of taxes, pension premiums and social security charges).

2.9 Financial support to third parties (sub-granting)

Financial support to third parties is provided for by the contractual conditions and its amount does not exceed the contractual limits.

The expenditure incurred by the third parties meets the relevant eligibility requirements. In particular it was incurred by and pertains to the third party, during the contractual eligibility period, is necessary for the implementation of the contractual activities and is identifiable and verifiable (see definition at point 2.6).

2.10 Other eligibility requirements

Duties, taxes and charges, (e.g. VAT) included in the financial report cannot be recovered by the Entity unless otherwise provided for in the contractual conditions (accepted costs system). In the latter case these expenses are reported separately and relate to eligible direct expenditure.

The correct exchange rates are used where applicable.

The contingency reserve has been established in accordance to the contractual conditions and its use authorised by the Contracting Authority.

The indirect costs do not exceed the maximum contractual percentage of the eligible direct costs and do not include ineligible expenses or expenses already declared as direct ones.

Contributions in kind are not included in the financial report, unless otherwise provided for in the contractual conditions.

Expenditure specifically considered ineligible by the contractual conditions is not included in the financial report.

Expenditure declared under the simplified cost options respects the contractual requirements.

The revenues generated by the Reporting Entity in the execution of the contract are disclosed in the financial report and deducted from the declared expenditure, unless otherwise provided for in the contractual conditions.

[If additional checks are needed, notably in case specific objectives are established at point 2 of the Terms of Reference, then add the following:

2.11 Additional checks not included in the standard verification procedure

<Describe the additional checks>]

TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION

<Annex 3: Model for >Expenditure verification Report

How this model should be completed by the Expenditure Verifier

- **insert** the information requested between the <...>
- **choose** the optional text between [...] highlighted in grey when applicable or delete
- **delete** all yellow instructions and the present text box
- **replace footer** by "EVR <Year of Report>- Contract <...> - Page .../..."

Apart from the addition of information and statements that reports on factual findings should contain in accordance with ISRS 4400, **the standard wording** can only be modified in exceptional cases and after prior consultation of DEVCO R2, Audit & Control Unit.

1. Background information

1.1. Short description of the action subject to verification

Contract number and title:	
Contract type	< e.g. grant contract, programme estimate, service contract... >
Financial Report(s) subject to verification	<DD/MM/YYYY-DD/MM/YYYY> <DD/MM/YYYY-DD/MM/YYYY> <DD/MM/YYYY-DD/MM/YYYY>
Reporting Entity and Other Spending Entities⁵	< Identify the Reporting Entity and Other Spending Entities and provide key information about their legal form, nationality, size, main field(s) of activity and other elements deemed relevant – max 200 words >
Location(s) where the Contract is implemented	
Contract execution period	
Contract implementation status	< indicate on-going or completed >
General and specific objectives of the Contract	
Synthetic description of the activities, outputs and target group	<max 300 words>

⁵ The term "Other spending entities" identifies the entities, beyond the reporting one, which incurred part of the reported expenditure

1.2. Basic financial information of the Contract (at the time of the verification)

1.2.1 Expenditure

Budget Headings	Budgeted Expenditure (amount)	Reported Expenditure (amount)
Budget Heading "..."		
...		
Total		

1.2.2 Contributions

Source of Contribution	Budgeted Contribution (amount)	Actual Contribution (amount)
EU		
Reporting Entity		
Spending Entity 1		
...		
Other Donor 1		
...		
Total		

1.2.3 Revenues

Revenue Types	Budgeted Revenues (amount)	Actual Revenues (amount)
Type "..."		
Type "..."		
...		
Total		

1.3. Verified Financial Reports/Invoices

See annex 3.1

2. Risk analysis

2.1. Outcome of risk analysis

Based on the risk analysis performed according to the Terms of Reference, provide succinct information about the identified risks possibly affecting the verified report, regarding the action, the context in which the latter is implemented, the beneficiaries and the target group.

<E.g. action implemented via complex procurement procedures, financial assistance to third parties (sub-grants) or revolving funds, transactions incurred in several currencies, technical complexity, high corruption perception index, instances of political interference, predominance of cash payments, number of parties involved, partners lacking administrative capacity, known weaknesses in internal control systems, lack of involvement or cooperation of the target group, history of fraud cases. (max. 300 words)>

In addition, please identify possible mitigating factors.

< E.g. previous audit or verification work, evidence of close follow up by the contracting authority, good results yielded in the past by the implementing partner, etc. (max. 150 words)>

2.2 Implications on the sampling

Explain how the identified risk factors are reflected in the structure and size of the sample.

<Based on the identified risk factors, describe how the sample was selected (e.g. statistical/judgemental sampling, stratification, etc.), what type of transactions were prioritised (e.g. amount above xx EUR, expensed declared by co-beneficiary XY, staff expenditure, payments to sub-grantees, etc.) what is the coverage ratio in amount and number of transaction (max. 200 words)>

3. Transaction population and sample

3.1 Sampling Highlights/Overview

The sample size was determined based on a materiality threshold of 2% of the total amount of reported expenditure with a confidence level of 95% and considering the risk analysis presented above.

Report/invoice: <indicate the report/invoice number and cut-off dates>		
	Population	Audited sample
Number of transactions		
Value of transactions EUR		

[If more than one financial report/invoice is verified, repeat as applicable]

A complete list of the transactions included in the population is to be included in Annex 3.2. The Contracting Authority may request the Expenditure Verifier to exclude from the population the transactions included in the financial report but already rejected during the ex-ante verifications.

Section 3.2 applies only if the Reporting Entity is not the Contracting Authority for the expenditure verification. If this is not the case the entire section 3.2 should be removed.

3.2 Reconciliation of the reports/invoices with the Commission accounting records

In case the report/invoice amount is different from that of the relevant accounting record (invoice, clearing, payment), fill in this table

Report/invoice: <indicate the report number and cut-off dates>	
Total amount of the verified report)
+/- corrections following external ex ante verifications	
+/- corrections following internal ex ante verifications	
Amount of the Commission's accounting record	

If more than one financial report/invoice is verified, repeat as applicable. If financial reports under different Contracts are verified, include the contracts reference

4. Substantive testing

4.1. Short description of the testing process

Compliance with the Terms of Reference and with the International Standard on Related Services (ISRS) 4400.

<Confirm that the testing procedures established in the annex 2 to the Terms of Reference were fully applied or disclose any scope limitation. Also confirm that the testing was executed in accordance with the International Standard on Related Services (ISRS) 4400, “Engagements to Perform Agreed-upon Procedures Regarding Financial Information”.>

Provide the key information about the testing process.

<E.g. describe if the audit work took place at the implementing partner's premises, whether qualified representatives of the auditee were present, if they were cooperative, if the supporting documentation was available in full, if additional documents had to be received after the field mission, whether evidence of the equipment transfer is available, if physical inspections were performed, any scope limitations, etc. (max. 300 words)>

5. Summary of findings

5.1. Summary of errors detected

<Description of the main outcomes of the transaction testing (e.g. type of errors detected, type of transactions, geographic scope, sector, involved implementing partners, etc.) (max. 200 words)>

5.2. Classification of errors by compliance issue

No	Compliance issue / reason for ineligible expenditure	No of findings	Amount €
1	Missing / inadequate documentation		
2	Incorrect procurement procedure applied		
3	Expenditure outside contractual period		
4	Expenditure includes VAT / other taxes		
5	Incorrect exchange rate used		
6	Budget exceeded		
7	Expenditure not for project purposes		
8	Fraud and irregularities		
9	Income not declared / not reported		
10	Other financial findings		
	Total financial findings		

5.3 Audit team

<List names and expert category levels for this report.>

<Name and signature of the Verifier>

<Verifier's address: office having responsibility for the audit>

[for final reports <Date of signature> the date when the final report is signed]

Annex 3.1: Financial reports/invoices provided by the auditee

Annex 3.2: Procedures performed

Annex 3.3: Table of transactions - provided as Excel file

Annex 3.4: Table of errors - provided as Excel file