

CALL FOR PROFESSIONAL SERVICES

Reference: 044-026

1. SUBJECT OF THE CALL

Provision of external audit services

- A. Full Scope Audit of the financial statements: the External Auditor shall conduct annual audits of the RCC Secretariat's financial statements in accordance with the International Standards on Auditing (ISAs). Full scope statutory-style audits of the consolidated annual financial statements of the RCC Secretariat for the financial years 2027, 2028, and 2029.
- B. Expenditure Verification of the financial contribution by the European Union for the implementation of the RCC activities, implementation period 36 months; 2027, 2028 and 2029 (contract value of around EUR 4 million per year)
- C. Expenditure Verification of the financial contribution by the European Union for the implementation of the following RCC projects: Employment and Social Affairs Platform Project Phase III, implementation period 60 months, period March 2024 – March 2028, total budget EUR 2.5 million

PARTICIPATION

Participation in this procedure is open to audit companies specialising in external audits in an international environment. Eligible companies must operate under quality control and quality assurance procedures for the statutory audit of accounts that comply with International Standards on Auditing (ISAs). Companies must demonstrate relevant experience in expenditure verification assignments for EU-funded programmes, including IPA III projects.

2. TECHNICAL OFFER

The Technical Offer must be prepared in accordance with the instructions bellow and in line with a detailed list of required services and qualifications, which are further explained in **Annex I and Annex II, Terms of References**.

The following documents should be provided:

- 1. Profile of the Company
- 2. Organisation and Methodology: a detailed description of the organisation, methodology, audit strategy and how the team of senior and junior audit staff will be engaged for delivering auditing services

Where deemed necessary or appropriate, the bidder may provide other documents to explain or illustrate the information set out in the above-mentioned document. For example: diagrams which illustrate the organisation and network/branches of the bidder, technical audit or operating manuals (or extracts), etc.

- 3. Timetable of activities

- a) To ensure that the team for on-site audit is available based on the request

- b) To propose the maximum time to present the audit report upon the completion of an on-site audit work
4. A detailed composition of the team

Curriculum Vitae of the dedicated professionals assigned

- a) Senior Staff (Audit Seniors / In-Charge/ Required to be on site)
Requirements for Senior Staff (Audit Seniors / In-Charge)
- Education: University degree in accounting and auditing
 - 10+ years of progressively responsible external audit experience, specialising in IPA III expense verification and external audits in an international environment
 - To effectively demonstrate experience in the audits of international organisations highlighting a mastery of EU-funded projects, to highlight deep understanding of EU financial regulations, strict eligibility criteria, and compliance framework
 - Full professional proficiency in English
- b) Junior Staff (Associates / Staff Auditors/ Required to be on site)
Requirements for Junior Staff (Associates / Staff Auditors)
- Education: University degree in accounting and auditing
 - 3+ years of progressively responsible external audit experience, specialising in IPA III expense verification and external audits in an international environment
 - Full professional proficiency in English
5. The company must present a highly structured List of Implemented Audits, featuring proven experience with IPA III expense verification projects. Each project must explicitly verify the core elements: international/EU-funded context. The financial statements audited must be prepared according to International Public Sector Accounting Standards (IPSAS)

The following information shall be included: description of contract/project including a list of services covered by the contract/project, contract value, contract start and end date.

3. FINANCIAL OFFER

- A) Annual audits of the RCC Secretariat's financial statements-Full Scope Audit
- Lump Sum Full Scope Audit for a Calendar Year
 - Please use free format of the Budget
 - Maximum incidental expenditures
- B) Financial Offer for Expenditure Verification of the RCC Secretariat, which represents standard European Union Terms of Reference for Expenditure Verification

The budget breakdown should reflect the following:

- All figures should be expressed in EUR
- Breakdown per year per cost and activity category should be provided

- Maximum incidental expenditures

C) Financial Offer for the Expenditure Verification for Employment and Social Affairs Platform Project Phase III, implementation period 60 months, period March 2024 – March 2028, total budget EUR 2.5 million, which represents standard European Union Terms of Reference for Expenditure Verification.

The budget breakdown should reflect the following:

- All figures should be expressed in EUR
- Lump sum for the assignment per year should be indicated
- Breakdown per cost and activity category should be provided
- Maximum incidental expenditures

NOTE:

For A, B and C pricelists please present:

- The price excluding VAT
- The VAT amount
- The total price including VAT

According to the Indirect Taxation Authority Instruction and its status of an international organisation, the Regional Cooperation Council Secretariat is entitled to VAT refund.

4. SUBMISSION OF BIDS

Applications should be submitted by 24 June 2026, 24:00 Central European Time (CET), through the “Apply Now” link on the website.

5. EVALUATION OF THE BIDS

The technical proposal is evaluated on the basis of its responsiveness to the Terms of Reference (ToR), and the financial offer.

The offers will be evaluated based on the following requirements:

A. Technical Offer

1. Composition of the Team: Qualifications and skills of senior and junior audit staff
2. Profile of the Company: List of Implemented Audits with scope and amount similar to that of this call, focused on IPA III expense verification experience
3. -Organisation and Methodology and Timetable of proposed audit activities

B. Financial offer

EVALUATION GRID	Maximum score
A. Technical Offer (A.1+A.2+A.3+A.4)	100

A.1. Composition of the Team: Qualifications and skills of senior audit staff	30
A.2. Composition of the Team: qualifications and skills of junior audit staff	20
A.3. Profile of the Company: List of Implemented Audits with scope and amount similar to that of this call; experience with IPA III expense verification	20
A.4 Organisation and Methodology and Timetable of proposed audit activities	30
B. Financial Offer/ lowest price has maximum score	100

Score for offer X =

A: [Total quality score (out of 100) of offer X / 100] * 80

B: [Lowest price / price of offer X] * 20

In addition to the results of the technical and financial evaluation, a competency-based interview may be held with the short-listed bidder.

6. INFORMATION ON SELECTION OF THE BEST BIDDER

The RCC Secretariat shall inform bidder of decisions reached concerning the award of the contract as soon as possible, including the grounds for any decision not to award a contract for which there has been competitive bidding or to recommence the procedure.

Standard letter of appreciation for participation shall be sent to unsuccessful bidders within 15 days of signing the contract with the awarded bidder.

7. APPEALS PROCEDURE

Bidders believing that they have been harmed by an error or irregularity during the award process may petition the RCC Secretariat directly. The RCC Secretariat must reply within 15 days of receipt of the complaint.

The appeal request may be sent to ProcurementforRCC@rcc.int or to the address of the RCC Secretariat:

Regional Cooperation Council Secretariat
 Attention to: Administration Department
 Building of the Friendship between Greece and Bosnia and Herzegovina
 Trg Bosne i Hercegovine 1/V
 71000 Sarajevo
 Bosnia and Herzegovina

Data protection

Personal data (such as names, addresses, and CVs) shall be processed in accordance with the GDPR and other applicable data protection laws. The RCC implements appropriate technical and organisational measures to protect such personal data and ensure confidentiality.

ANNEX I

TERMS OF REFERENCE

A) Full Scope Audit of the financial statements of the RCC Secretariat

Background

The Regional Cooperation Council (RCC) was established in 2008 as a regionally owned and led framework. It works under the political guidance of the SEECP to promote regional cooperation and European and Euro-Atlantic integration of South East Europe (SEE). RCC's activities are guided by its triannual Strategy and Work Programme and the South East Europe (SEE) 2030 Strategy, as its integral part and a principal working document until 2030.

The RCC consists of 45 participants. The RCC and its Secretariat receive operational guidance and supervision from the RCC Board. The RCC has a Secretariat based in Sarajevo, Bosnia and Herzegovina, headed by the Secretary General, and Liaison Office in Brussels. The organisational structure of the RCC Secretariat consists of: Office of the Secretary General, Political Department, Programme Department and Administration Department. The organisation maintains close working relations with all relevant actors, such as governments, international organisations, international financial institutions, regional organisations, private sector and civil society.

The Regional Cooperation Council deals with the implementation of a handful of agendas across various sectors, including the investment and financial markets, digital agenda, green and sustainable growth, education and mobility, research and innovation, industry and women's entrepreneurship, and horizontal processes (monitoring, reporting and coordination). The Brussels Liaison Office is responsible for external relations with RCC partners, including the European Commission, regional organisations, international donors and other potential partners. The Office is supporting the RCC Secretary General and Head of Program Department in their endeavours to communicate the accomplishments and results of RCC work along the above-mentioned areas.

SCOPE

The External Auditor shall conduct annual audits of the RCC Secretariat's financial statements in accordance with the International Standards on Auditing (ISAs) and additional special requirements issued by the RCC Board.

Full scope statutory-style audits of the consolidated annual financial statements of the RCC Secretariat for the financial years 2027, 2028, and 2029. The engagement is expected to result in three annual independent audit reports covering the complete financial position and operations of the RCC Secretariat in accordance with the applicable accounting framework and RCC internal regulations.

The audit must cover the following aspects:

1. Financial accounting, monitoring and reporting

2. Management system for recording, documenting and reporting on resources/funds utilisation
3. Equipment use and management
4. Management structure, including the adequacy of appropriate internal control and record-keeping mechanisms

The audit objectives are to confirm and certify that:

1. Expenditures are incurred in accordance with the activities and budgets of the Strategy and Work Programme, approved RCC rules and regulations, and specific donor's requirements (if applicable)
2. Expenditures are supported by adequate documentation
3. Financial reports are fairly and accurately presented
4. An appropriate management structure, internal controls and record-keeping systems are maintained
5. Procurement, use, control and disposal of non-expendable equipment are in accordance with the approved RCC rules and regulations

The table reflecting net sum of the contribution received on the RCC Secretariat account shall be presented to the Financial Sub-Committee members with the audited annual report.

The RCC Secretariat or the RCC Board may request the External Auditor to perform special independent examinations in accordance with ISA and to issue separate reports on the results thereof. In addition, the RCC Secretariat may request agreed-upon-procedure audit, extending the existing contract for the auditing of the separately defined project. The scope of work for the agreed-upon-procedure will be defined along with the request.

The External Auditor shall make observations with respect to the regularity and efficiency of the RCC Secretariat's financial procedures, accounting system, internal financial controls and, in general, financial condition of the RCC Secretariat, and such observations shall be presented in a Management Letter.

The External Auditor shall be completely independent and shall be solely responsible for the conduct of audits.

As a result of the audit of the RCC Secretariat's financial statements, the External Auditor shall issue an auditor's report.

REPORTING PROCESS

The External Auditor shall present the Auditor's Report on the financial statements to the Head of Administration Department for submission to the Secretary General and the RCC Financial Sub-Committee.

The Financial Sub-Committee shall examine the financial statements along with the External Auditor's Report, and shall recommend to the RCC Board to approve the financial statements, with comments, if any.

The External Auditor's report and the audited financial statements shall be submitted to the RCC Board not later than 3 months after the end of the financial period to which they relate to.

The Financial Sub-Committee or RCC Board can request the External Auditor to attend any subsequent Financial Sub-Committee or RCC Board meeting when the audited financial statements and External Auditor's report are being discussed.

In addition, the External Auditor or their representative may be present during the subsequent consideration of External Auditor's report by the RCC Board, if requested by the RCC Board.

Additional external audits shall be arranged as required by donors, and the fees shall be agreed by and charged to them separately. External Auditors shall be selected through a competitive tender, taking into account donor requirements, i.e. acceptability of the External Auditor to the donor.

The External Auditor shall issue a report and opinion on their audits of the RCC Secretariat's financial statements.

The above provisions indicate two major functions of the External Auditor: examination of the accounts and providing opinion on the Financial Statements (Financial and Compliance audit) and audit of the administrative and management operations (Value for Money Audit).

STEPS OF THE AUDIT

At the end of the year, the auditor is requested to make full scope audit of the RCC Secretariat. Task of the selected auditor is to make audit report for the RCC Secretariat.

FULL SCOPE AUDIT

Provision of audit of financial statements of the RCC for the year ended 31 December, which are prepared in conformity with the RCC Financial Management Manual. The audit shall be conducted in accordance with International Standards on Auditing (ISA), and the financial statements shall be prepared and presented in accordance with International Financial Reporting Standards.

The selected auditor is expected to additionally audit the following issues:

- That expenditures are made in accordance with the activities and budgets of the Strategy and Work Programme, approved RCC rules and regulations, specific donor's requirements (if applicable)
- That expenditures are supported by adequate documentation
- That financial reports are fairly and accurately presented
- That an appropriate management structure, internal controls and record-keeping systems are maintained
- That procurement, use, control and disposal of non-expendable equipment are in accordance with the approved RCC rules and regulations

Apart from the standard audit opinion, the selected auditor is expected to separately express their opinion on the issues above.

Annex II

A) Expenditure Verification - RCC Secretariat Core Grant (European Union contribution)

Expenditure verification services related to the financial contribution provided by the European Union for the implementation of RCC activities for the period 2027-2029, corresponding to the next 36-month implementation cycle. The estimated value of the EU contribution subject to verification is approximately EUR 4 million annually. RCC expects three separate expenditure verification reports, one for each annual reporting cycle under the RCC grant agreement.

B) Expenditure Verification - Employment and Social Affairs Platform (ESAP) Project Phase III

Expenditure verification services related to the EU-funded Employment and Social Affairs Platform Project Phase III, with an implementation period from March 2024 until March 2028 and total budget EUR 2.5 million. In accordance with the applicable donor reporting requirements, RCC expects one comprehensive expenditure verification report covering the entire project implementation period to be submitted together with the project's final financial report.

Model of the Terms of Reference for an Expenditure Verification of a Grant Contract
External Action of the European Union see bellow



TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT EXTERNAL ACTION OF THE EUROPEAN UNION

▪ How to use this terms of reference MODEL

▪ (also applies to Annex 1)

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

1) Grant Contract¹ number and title of the action: <...>

[2) Grant Contract² number and title of the action: <...>]

<Repeat contracts/reports as applicable>

Detailed information is provided at the cover page of Annex 1

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".

2 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".

Table of Contents

1	INTRODUCTION	3
2	OBJECTIVES AND CONTEXT	3
3	STANDARDS AND ETHICS	3
4	REQUIREMENTS FOR THE EXPENDITURE VERIFIER.....	3
5	SCOPE	6
5.1	CONTRACTS AND FINANCIAL REPORTS COVERED BY THESE TOR	6
5.2	CONDITIONS FOR ELIGIBILITY OF EXPENDITURE.....	6
6	VERIFICATION PROCESS AND METHODOLOGY.....	6
6.1	PREPARATION OF THE VERIFICATION.....	6
6.2	PREPARATORY MEETING, FIELDWORK, DESK REVIEW	6
6.2.1	<i>Engagement Context, Materiality, Risk Analysis, Sampling.....</i>	<i>6</i>
6.2.2	<i>Fieldwork / Desk Review.....</i>	<i>7</i>
6.2.3	<i>Debriefing Memo and Closing Meeting</i>	<i>7</i>
6.2.4	<i>Documentation and Verification Evidence</i>	<i>8</i>
6.3	REPORTING.....	8
6.3.1	<i>Structure and Content of the Report.....</i>	<i>8</i>
6.3.2	<i>Expenditure Verification Findings and Recommendations.....</i>	<i>9</i>
7	OTHER MATTERS.....	9
7.1	SUBCONTRACTING.....	9
8	ANNEXES.....	10

1 Introduction

The present document and the Annexes listed in Section 8 are the terms of reference ('ToR') on which the Coordinator (The term "Coordinator" refers to the Beneficiary identified as the Coordinator in the Special Conditions) agrees to engage 'the Expenditure Verifier' to perform a verification of reported expenditure.

Where in these ToR the 'Contracting Authority' is mentioned, this refers to the < European Commission or name of another contracting authority>, which has signed the Grant Contract with the Beneficiary and is providing the grant funding. The Contracting Authority is not party to this agreement.

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

They apply to expenditure verifications contracted by the Coordinator 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 [<Choose either one or both> a desk review or/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 (Revised) 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 (Revised) provides that independence is not a requirement for agreed-upon procedures engagements, the Coordinator requires that the Expenditure Verifier is independent from the Coordinator and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

4 Requirements for the Expenditure Verifier

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)³.
- 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).

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).

6 Verification Process and Methodology

6.1 *Preparation of the Verification*

The Expenditure Verifier shall 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 Coordinator 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 Coordinator foresees a preparatory meeting with the Expenditure Verifier which will be held [<Choose either one or both> by conference call or at <name and address of the meeting place should be clearly stated>].

The fieldwork or desk review shall commence as soon as possible and not later than <number> calendar days after the signature of the verification contract or the date of

³ 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.

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 Coordinator 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).

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 Coordinator in order to discuss the findings, obtain its initial comments and agree on additional information to be provided at a later date.

6.2.4 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 (Revised) 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 <language>.

The Expenditure Verifier will submit within < number of working days to be indicated by the Coordinator> working days of the conclusion of the field work a draft report to the Coordinator for comments to be received within < number of working days to be indicated by the Coordinator>working days. This delay expired, the Expenditure Verifier will provide the final report to the Coordinator within < number of working days to be indicated by the Coordinator>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 final report as a result of the consultation procedure should be clearly and sequentially reported.

7 Other Matters

7.1 Subcontracting

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

8 Annexes

Annex 1 - Engagement Context / Key Information

Annex 2 – Guidelines for Risk Analysis and Verification Procedures

Annex 3 - Model for Expenditure Verification Report

Annex 1: Engagement Context / Key Information

Contract⁴ and report summary

[Annex to be completed by the Coordinator]

Information about the Grant Contract	
Reference number and date of the Grant Contract	< Contracting Authority's reference for the Grant Contract>
Grant contract title	
Country	
Coordinator	< full name and address of the Coordinator as per the Grant Contract>
Beneficiary(ies) and affiliated entity(ies)	< full name and address of the Beneficiary(ies) and related affiliated entity(ies) as per the Grant Contract>
Start date of the implementation period of the Action	
End date of the implementation period of the Action	
Financial Report(s) subject to verification:	<DD/MM/YYYY-DD/MM/YYYY> <DD/MM/YYYY-DD/MM/YYYY> <DD/MM/YYYY-DD/MM/YYYY>
Total amount received to date by the Coordinator from Contracting Authority	< Total amount received as per dd.mm.yyyy>
Total amount of the payment request	< provide the total amount requested for payment as per Annex V to the Special Conditions for Grant Contracts (Payment Request for a grant contract for European Union external actions) >
Contracting Authority	[<Provide the name, position/title, phone and E-mail of the contact person at the Contracting Authority>. (To be completed only if the Contracting Authority is not the Commission.)]
European Commission	< provide the name, position/title, phone and E-mail of the contact person in the Delegation of the European Union in the country concerned, or if applicable at Headquarters>
Auditor	< Name and address of the audit firm and names/positions of the auditors>

⁴ 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"

A Logistics		
Issue	Question	Reply
Locations	1. Where do the Coordinator and other Beneficiary(ies) and affiliated entity(ies) retain the accounting records?	
	2. Where do the Coordinator and other Beneficiary(ies) and affiliated entity(ies) retain the original supporting documents?	
	3. Where were contractual activities carried out?	
	4. Where are key project staff available to provide information and explanations?	
Languages	5. Which is the contractual language?	
	6. Which is the language of the accounting records?	
	7. Which are the languages of supporting documents?	
	8. Which languages are spoken by key project staff?	

B Contractual Conditions		
Contract amount	9. What is the total amount of the contract?	
EC contribution	10. What is the amount of the EC contribution?	
Other contributions	11. Which are the other sources of funding (including the Coordinator)?	Source 1 / amount
		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?	
	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?	
	14. To what extent have Project transactions been carried out in cash?	[high, medium, low]
	15. In which currencies has expenditure been incurred?	

	16. What is the reporting currency?	
	17. How many other Financial Reports have already been presented by the Coordinator under this contract?	

D Procurement

Procurement	18. How many procurement procedures have been undertaken during the period covered by the Financial Report?	
	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)?	
	20. Are works done and supplies delivered under the contract located centrally or are they dispersed?	

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?	
	22. How many of the previously presented Financial Reports (if any) have been subject to audit/verification by external consultants contracted by the Coordinator?	
	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 Coordinator that are relevant for the scope of the current verification?	
	24. Have any significant findings been raised under the exercises referred to in questions 22 and 23? If so, what are they?	
	25. Have any instances of fraud or irregularities been previously identified in dealings with the particular Entity?	

F Contact Details

Coordinator: <full name of the entity subject to audit>

Address		Country	
Phone		Fax	
Website			

Key contact

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

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

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

Annex 2: Guidelines for risk analysis and Verification procedures

Table of Contents

<u>1. RISK ANALYSIS AND DETERMINATION OF THE SAMPLE</u>	2
<u>2. EXPENDITURE VERIFICATION PROCEDURES</u>	2
<u>2.1 THE EXPENDITURE WAS INCURRED BY AND PERTAINS TO THE ENTITY</u>	2
<u>2.2 THE EXPENDITURE IS RECORDED IN THE ACCOUNTING SYSTEM OF COORDINATOR AND OTHER BENEFICIARY(IES) AND AFFILIATED ENTITY(IES)</u>	2
<u>2.3 EXPENDITURE INCURRED DURING THE CONTRACTUAL ELIGIBILITY PERIOD</u>	2
<u>2.4 EXPENDITURE INDICATED IN THE CONTRACTUAL ESTIMATED BUDGET</u>	3
<u>2.5 EXPENDITURE NECESSARY FOR THE IMPLEMENTATION OF THE CONTRACTUAL ACTIVITIES, REASONABLE AND JUSTIFIED</u>	3
<u>2.6 EXPENDITURE IDENTIFIABLE AND VERIFIABLE</u>	3
<u>2.7 COMPLIANCE WITH PROCUREMENT PRINCIPLES AND NATIONALITY AND ORIGIN RULES</u>	3
<u>2.8 EXPENDITURE COMPLIES WITH THE REQUIREMENTS OF APPLICABLE TAX AND SOCIAL LEGISLATION</u>	3
<u>2.9 FINANCIAL SUPPORT TO THIRD PARTIES (SUB-GRANTING)</u>	3
<u>2.10 OTHER ELIGIBILITY REQUIREMENTS</u>	4

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 Coordinator 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 Coordinator and other Beneficiary(ies) and affiliated entity(ies)*

The expenditure is recorded in the accounting system of the Coordinator and other Beneficiary(ies) and affiliated entity(ies) in accordance with the applicable accounting standards and the Coordinator'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 Coordinator 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 Coordinator 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 Coordinator 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.

1. <Annex 3: Model for > Expenditure verification Report
(based on agreed-upon procedures)

<To be printed on AUDITOR'S letterhead>

Report for an Expenditure Verification of a Grant Contract
External Actions of the European Union

<Title of and number of the grant contract >

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

In accordance with the ISRS 4400 (Revised) the following specifications apply:

- The Expenditure Verifier conducted the expenditure verification in accordance with the International Standards on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements;
- The Expenditure Verifier makes no representation regarding the appropriateness of the agreed upon procedures;
- The agreed-upon procedure is not an assurance engagement and accordingly the Expenditure Verifier does not express an opinion or an assurance conclusion;
- Had the Expenditure Verifier performed additional procedures, other matters might have come to their attention that would have been reported;
- The agreed-upon procedures involved the Expenditure Verifier performing the procedures set out in Annex 2 to the Terms of Reference that have been agreed with the Contracting Authority, and reporting the findings. Findings are the factual results of the agreed-upon procedures performed; the Contracting Authority acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement;
- The Reporting Entity as identified by the Contracting Authority is responsible for the subject matter on which the agreed-upon procedures are performed;
- The expenditure verification report is intended for the purpose specified in the Terms of Reference on which the Contracting Authority agrees to engage the Expenditure Verifier and may not be suitable for another purpose;
- The Expenditure Verifier carried out the engagement in accordance with the IFAC Code of Ethics for Professional Accountants and the fundamental ethical principles and independence requirements established therein, namely: integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.
- The Expenditure Verifier applies the International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Detailed specifications have been agreed between the Contracting Authority and the Expenditure Verifier and they have been stipulated in the 'Terms of Reference for an Expenditure Verification'. The Terms of Reference are an integral part of the contract concluded between the Contracting Authority and the Expenditure Verifier.

2. Background information

2.1. Short description of the action subject to verification

Contract number and title:	
Contract type	grant 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>
Coordinator and other Beneficiary(ies) and affiliated entity(ies)	< Identify the Coordinator and other Beneficiary(ies) and affiliated entity(ies) 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>

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

2.2.1 Expenditure

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

2.2.2 Contributions

Source of Contribution	Budgeted Contribution (amount)	Actual Contribution (amount)
EU		
Coordinator		
Other Beneficiary(ies) and affiliated entity(ies)		
...		
Other Donor 1		
...		
Total		

2.2.3 Revenues

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

2.3. Verified Financial Reports

See annex 3.1

3. Risk analysis

3.1. 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)>

4. Transaction population and sample

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	Verified 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 3.3.

5. Substantive testing

Short description of the testing process

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

<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 (Revised), “Engagements to Perform Agreed-upon Procedures Regarding Financial Information”.>

Provide the key information about the testing process.

<E.g. describe if the verification 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)>

6. Summary of findings

5.1 Description of findings 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 Verification 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 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

