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TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION

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

- 1) Contract¹ number:
 - CSO-LA/2019/413-453
 - Addendum No. 1 to Grant Contract No. CSO-LA/2019/413-453
 - Addendum No. 2 to Grant Contract No. CSO-LA/2019/413-453

- 2) Contract number:
 - ECHO-Green/ICCO/Contract-01-02-2020-01
 - Mutual Termination Agreement and Transfer Agreement Contract No. ECHO-Green/ICCO/Contract-01-02-2020-01

- 3) Contract number:
 - ECHO-Green/KPSHK/Contract-01-02-2020-02

- 4) Contract number:
 - ECHO-Green/KONSILLSMI/Contract-01-02-2020-03
 - Addendum No. 1 of Contract No. ECHO-Green/KONSILLSMI/Contract-01-02-2020-03

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"

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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 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 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 Jakarta, Indonesia.
- Experience with audits/verifications of non profit sector.
- 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 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 by conference call or at Penabulu Office, Komplek Rawabambu I, Jl. D No. 6, Pasar Minggu, South Jakarta.

The field work or desk review shall commence as soon as possible and not later than 45 calendar 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.

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 15 calendar days of the conclusion of the field work a draft report to the Reporting Entity for comments to be received within 4 calendar days. This delay expired; the Expenditure Verifier will provide the final report to the Reporting Entity within 3 calendar 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 by conference call or or at Penabulu Office, Komplek Rawabambu I, Jl. D No. 6, Pasar Minggu, South Jakarta.

6.3.4 Access to supporting documents

The Expenditure Verifier shall retain electronic copies of the supporting documents reviewed for all expenditure items included in the sample and provide them to the Contracting Authority upon request for a period of 5 years after the approval of the Final Verification Report.

7 Other Matters

7.1 Contradictory Procedure and Follow-Up

After receipt of the final expenditure verification report the Commission will begin a formal contradictory procedure with the Reporting Entity. The purpose of this procedure is for the Commission to discuss and agree with the Reporting Entity the corrective measures and actions which arise from the findings in the final report. The Expenditure Verifier may, where appropriate, be requested to provide clarifications or additional information with regard to the final report.

7.2 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

[The following annexes should only be included if an audit of the design and operating effectiveness of an internal control system is foreseen]

Annex 4 – Guidelines for Systems Audit (take annex 2 of ToR for a systems audit of design and operating effectiveness)

Annex 5 – Model for Systems Audit Report (take annex 3 of ToR for a systems audit of design and operating effectiveness)]



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Annex 1: Engagement Context / Key Information

Contract¹ and report summary

Contract number:	CSO-LA/2019/413-453
Contract title:	Promoting Green Economic Initiatives by Women and Youth Farmer in the Sustainable Agriculture Sector in Indonesia (ECHO Green)
Contract type:	Grant Contract
Financial Report(s) subject to verification:	01/01/2020-31/12/2020 01/01/2021-31/12/2021 01/01/2022-28/02/2023
Reporting Entity:	Penabulu Foundation
Other Spending Entities ²	1. Konsil LSM Indonesia 2. Konsorsium Pendukung Sistem Hutan Kerakyatan (KPSHK) 3. ICCO Foundation
Country:	Indonesia
Commission Service in charge of the Contract:	Penabulu Foundation
Contracting Authority for the expenditure verification:	Reporting Entity

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 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?	Penabulu Foundation Office, Jakarta Konsil LSM Office, Jakarta KPSHK Office, Bogor ICCO Office, Denpasar [Has been submitted to Penabulu since the office closed; referring the letter of Phasing out – ICCO]
	2. Where do the Reporting Entity and Other Spending Entities retain the original supporting documents?	Penabulu Foundation Office, Jakarta Konsil LSM Office, Jakarta KPSHK Office, Bogor ICCO Office, Denpasar [Has been submitted to Penabulu since the office closed; referring the letter of Phasing out – ICCO]
	3. Where were contractual activities carried out?	Jakarta Grobogan District, Central Java Lombok Timur District, West Nusa Tenggara Padang Pariaman District, West Sumatra
	4. Where are key project staff available to provide information and explanations?	Penabulu Foundation, Jakarta Konsil LSM, Jakarta KPSHK, Bogor
Languages	5. Which is the contractual language?	English
	6. Which is the language of the accounting records?	Indonesian and English
	7. Which are the languages of supporting documents?	Indonesian and English
	8. Which languages are spoken by key project staff?	indonesian

B Contractual Conditions		
Contract amount	9. What is the total amount of the contract?	EUR 1,055,556.00
EC contribution	10. What is the amount of the EC contribution?	EUR 950,000.00
Other contributions	11. Which are the other sources of funding (including the Reporting Entity)?	Penabulu Foundation / EUR 92,567.12
		KPSHK / EUR 6,499.98
		Konsil LSM / EUR 6,488.45

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?	Approximately 12000 transactions
	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?	Direct transactions through banks, petty cash, and advances for activities. The transactions were of large and 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?	IDR
	16. What is the reporting currency?	EUR
	17. How many other Financial Reports have already been presented by the Reporting Entity under this contract?	EUR 582,442.67

D Procurement		
Procurement	18. How many procurement procedures have been undertaken during the period covered by the Financial Report?	The procurement procedures are carried out on a medium scale, including; <ul style="list-style-type: none"> - Human Resources - services (meeting room and other services) - goods (computer equipment, a projector, and a printer) - Rental; vehicle, office
	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)?	Not involved
	20. Are works done and supplies delivered under the contract located centrally or are they dispersed?	The procurement of goods (computer equipment, a projector, and a printer) is carried out by the lead consortium (the Penabulu Foundation) and distributed to each project work area through the consortium's partner institutions. The procurement of human resources, services and rental (vehicle and office) is carried out by each consortium partner based on the needs in each project area.

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?	Based on the interim reports for years 1 and 2 that have been submitted, the CE verifies examples of the completeness of financial documents.
	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?	None has been to audit/verification by external consultants contracted by the Contracting Authority

	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?	Internal verification of the completeness of financial documents is carried out by the lead consortium (Penabulu Foundation) for the consortium partners.
	24. Have any significant findings been raised under the exercises referred to in questions 22 and 23? If so, what are they?	The findings are general in the application of financial management policies.
	25. Have any instances of fraud or irregularities been previously identified in dealings with the particular Entity?	Not yet identified any instances of fraud or irregularities in dealings with the particular entity.

F Contact Details

Reporting Entity: Penabulu Foundation

Address	Komplek Rawabambu I, Jl. D, No. 6, Pasar Minggu, Jakarta Selatan, 12520, Indonesia	Country	Indonesia
Phone	+62 78848321	Fax	-
Website	http://penabulufoundation.org http://echogreen.id		

Key contact Eko Kurniawan Komara

Annex 1: Financial Report(s) to be verified

Annex 2: Contract and riders

and other documents will be sent to the Expenditure Verifier after the engagement between the Contracting Authority and the selected Expenditure Verifier.



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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 Entities¹	< 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>

¹ 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

Annex 3.4: Table of errors - provided as Excel file

Error number	Accounting reference (ID number)	Verified report reference	Budget line (if applicable)	Date	Payee	Description	Amount (currency)	Standard (finding legal basis)	Initial Finding (to be organised by facts/analysis)	Reaction of the auditee	Initial error amount	Final auditor's position	Final error amount2	Classification of the error

Annex 4:

Guidelines for System Audit (Systems Audit Procedures (design and operating effectiveness of Internal Control Systems))

1. Audit Documentation and Evidence

1.1. Audit Documentation (Working Papers)

The Auditor should in accordance with ISAE 3000, prepare audit documentation that provides:

- A sufficient and appropriate record of the basis for the auditor's report; and
- Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.

Audit documentation or working papers means the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. Audit file means one or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation or working papers for a specific engagement.

1.2. Audit Evidence

The Auditor should in accordance with ISAE 3000, ensure that audit evidence is gathered to support the Auditor's opinion and evidence that the audit was carried out in accordance with the IFAC *International Framework for Assurance Engagements* and *International Standard on Assurance Engagements ('ISAE') 3000 for Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

The Auditor should obtain sufficient appropriate audit evidence to support audit findings and to draw reasonable conclusions on which to base the audit opinion. The Auditor uses professional judgment to determine whether audit evidence is sufficient and appropriate taking into account the Contractual Conditions.

1.3. Retention of Audit Documentation (Working Papers)

The Auditor should retain audit documentation for the engagement (including evidence for audit fees and expenses such as invoices for hotel accommodation, air plane boarding cards, ticket stubs, time sheets etc.) for inspection by the Commission for a period of 5 years from the date of payment by the Commission of the Auditor's final invoice for this engagement. The Commission shall, on request and in accordance with the legislation in the country where the office having responsibility for the audit is based, have access to the audit documentation within this 5 year period.

1.4. Access to Records and Documents of the Entity

The Auditor should have full and unrestricted access at any time to all records and documents (including accounting records, contracts, minutes of meetings, bank records, invoices etc.), to employees of the Entity and to the Entity's locations insofar as this is possible and relevant to the audit of the Project. The Auditor may request the Entity to get access to banks (e.g. to request a bank confirmation), consultants and other persons or firms engaged by the Entity.

2. Planning

2.1. Preparatory Meeting with the Commission

The Commission normally foresees a preparatory meeting with the Auditor. This meeting will take place at DEVCO Headquarters in Brussels, or in the EU Delegation concerned by the audit or at another place whichever location is most appropriate and convenient for both parties. The purpose of this meeting is to discuss the planning, fieldwork and reporting of the audit and to clarify outstanding issues. The Commission and the Auditor may agree to use alternative methods to prepare the audit (e.g. conference calls).

2.2. Opening Meeting with the Entity

The Auditor should arrange for an opening meeting with the Entity to discuss and explain the planning, fieldwork and reporting. The Auditor will explain the nature, objectives and scope of the audit. The Auditor should inform the Commission about this meeting which may be attended by Commission representatives including the Audit Task Manager ('ATM').

During the preparatory and opening meeting the Auditor may request additional information and documents that he/she considers necessary or useful for the planning and fieldwork of the audit. The Auditor may contact the Entity directly to obtain such information.

2.3. Planning Activities, Audit Plan and Audit Work Programmes

The Auditor should plan the audit so that it will be performed in an effective manner and efficient manner. Adequate planning involves that appropriate attention is devoted to important areas of the audit, that potential problems are identified and resolved on a timely basis and that the audit is properly organised and managed in order to be performed in an effective and efficient manner.

The Auditor should have an audit plan (or a similar planning document such as an audit work plan or a planning memorandum) documenting the audit approach and key principles of audit planning, fieldwork and reporting. The Auditor should have audit work programmes which detail and document the audit tests and procedures. The Auditor should provide copies of the audit plan and audit work programmes to the Commission's ATM on request.

2.4. Risk Assessment

2.2.1. The Auditor should assess the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The assessment should be sufficient to design and perform further audit procedures and to determine the nature, timing and extent of test of controls.

2.2.2. The Auditor should assess whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

2.2.3. The Auditor should consider the risks of weaknesses and deficiencies in the design or operating effectiveness of internal controls to determine the nature, timing and extent of evidence gathering procedures. A weakness or a deficiency in controls exists where an internal control or series of internal controls does not reasonably prevent or detect risks that

could have an adverse impact on the objectives of the Project. A deficiency in internal control exists when:

- An internal control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, errors and misstatements in the financial report for the Project on a timely basis; or
- An internal control necessary to prevent, or detect and correct, errors and misstatements in the financial report for the Project on a timely basis is missing.

2.2.4. Risk assessment involves an assessment of the risks that:

- the Financial Report of the Project is not reliable i.e. that it does not present, in all material respects, the actual expenditure incurred and the revenue received for the Project in conformity with applicable Contractual Conditions;
- the Project funds provided by the Commission have not, in all material respects, been used in conformity with applicable Contractual Conditions;
- fraud and irregularities can occur or have occurred which have an impact on Project expenditure and income and which are not detected and corrected in a timely manner;
- the relevant Contractual Conditions for the Project are not complied with. For this purpose the Auditor can concentrate on the controls and control areas described in the ToR Section 6.2 (Planning and Fieldwork, obtaining an understanding of the engagement context).

3. Fieldwork

3.1. *Obtaining evidence regarding the design of controls*

The scope of work should include an assessment of whether the **design** of the Internal Control System sufficiently mitigates the risks to the achievement of the Project (see point 2.2.4 above).

The Auditor should concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding. The Auditor should determine which of the internal controls at the Entity were necessary to achieve the internal control objectives and assess whether these internal controls are suitably designed.

The Auditor should consider qualitative as well as quantitative factors but this audit is not a performance audit and therefore the Auditor should concentrate on financial internal controls rather than operational controls.

Evaluating the design of an internal control involves considering whether a control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting weaknesses and deficiencies.

Procedures to obtain evidence regarding the design of internal controls may include:

- Inquiring of Entity staff who may have relevant information;
- Evaluating whether descriptions of the Entity's internal controls, if available, fairly present the internal controls that have been designed and implemented;
- Inspecting Contractual Conditions;
- Observing operations and inspecting documents, reports, printed and electronic records of transaction processing, accounting procedures (e.g. bank reconciliation) and other key

approval and internal control procedures (e.g. periodical expenditure reports, budget – actual comparisons, review and approval of timesheets etc.);

- Reperforming internal control procedures.

The Auditor may consider using flowcharts or questionnaires to facilitate assessing the design of the internal controls.

3.2. *Tests of Controls*

The scope of work should include an assessment of whether the Internal Control System is **operating effectively**.

The Auditor should test those internal controls that have been determined as necessary to achieve the internal control objectives and assess their operating effectiveness throughout the period.

An internal control is operating effectively if, individually or in combination with other controls, it provides reasonable assurance that

- The Entity's internal control objectives are achieved and in particular that risks to the achievement of the objectives of the Project are properly managed and controlled;
- The risks of error, irregularities and fraud with regard to Project funding are properly and timely prevented or detected.

When designing and performing tests of controls, the Auditor should:

- Perform other procedures in combination with inquiry to obtain evidence about:
 - How the internal control was applied;
 - The consistency with which the internal control was applied; and
 - By whom or by what means the internal control was applied;
- Determine whether internal controls to be tested depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain evidence supporting the operating effectiveness of those indirect controls; and
- Determine means of selecting items for testing that are effective in meeting the objectives of the procedure.

When determining the extent of tests of controls, the Auditor shall consider matters including the characteristics of the population to be tested, which includes the nature of controls, the frequency of their application (for example, monthly, daily, a number of times per day), and the expected rate of deviation.

Audit procedures for tests of controls may include but are not limited to inspection (of records, documents and assets), observation, inquiry of management and others within the Entity, confirmation, recalculation and reperformance.

3.3. *Sampling and other means of selecting items for testing*

When designing and performing tests of controls the Auditor may apply audit sampling or other means of selecting items for testing. Audit sampling involves the application of audit procedures to less than 100% of items within a population of audit relevance (e.g. a class of transactions or account balance) such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.

Audit sampling can use either a statistical or non-statistical approach. The Auditor may use a judgmental selection of specific items from a population (e.g. high value or key items, all items over a certain amount, items to obtain information or items to test control activities). Selective examination does not constitute audit sampling.

While selective examination of specific items will often be an efficient means of obtaining evidence, it does not constitute sampling. The results of procedures applied to items selected in this way cannot be projected to the entire population; accordingly, selective examination of specific items does not provide evidence concerning the remainder of the population. Sampling, on the other hand, is designed to enable conclusions to be drawn about an entire population on the basis of testing a sample drawn from it.

3.4. Using the work of internal auditors

When the Auditor determines that an internal audit function is likely to be relevant for the audit he/she (a) determines whether, and to what extent specific work of the internal auditors can be used, and (b) if using the specific work of the internal auditors, whether that work is adequate for the purposes of the audit. The Auditor should comply with *ISA 610 'Using the Work of Internal Auditors'* insofar as this ISA is relevant to the audit.

3.5. Written representations

In assurance engagements other than audits or reviews of historical financial information (ISAE 3000) the auditor should obtain representations from the management. A written representation is a statement by the management provided to the Auditor to confirm certain matters or to support other audit evidence. The Commission does not require that the Auditor obtains written representations but this is recommended. The Auditor may request a letter of representation signed by the member(s) of the management of the Entity who have the primary responsibility for the Project and its financial aspects. The Auditor may request a letter of representation in cases where there is a specific point to obtain supplementary verification.

3.6. Fraud and irregularities

If Auditor may find that a fraud or irregularity has occurred or is likely to have occurred and such findings should be reported to the Commission in a complementary letter. The Commission will decide on follow-up measures including where appropriate the launching of an investigation by OLAF.

3.7. Complementary letter

The Auditor may at any time during the audit process draw up a complementary letter if he/she considers that the Commission should be informed about facts and issues that are or may be urgent or of particular interest and importance to the Commission.

This may cover issues that do not fall within the audit scope and/or the nature of which may be confidential or sensitive including for example indications and evidence of fraud or irregularities.

The Auditor should submit the complementary letter to the Commission as a separate and confidential letter independent of the audit report and solely addressed to the Commission. The ATM will ensure a proper and timely distribution to the relevant Commission services.

3.8. *Debriefing Memorandum ('Aide Mémoire')*

The Auditor will prepare a Debriefing Memo for discussion at the closing meeting. The Memo should outline the main audit findings which have resulted from the fieldwork and recommendations. A copy of the Memo should be sent to the ATM as soon.

3.9. *Closing Meeting*

The Auditor should organise a closing meeting with the Entity. The ATM and other Commission representatives can attend the meeting. The purpose of this meeting is to discuss the Debriefing Memo and to obtain the confirmation and initial comments of the Entity on the Auditor's findings and recommendations. The Auditor and the Entity can agree outstanding information to be provided by the Entity and where applicable a deadline for submission. The Auditor can inform the Entity about the reporting procedures. The Auditor should document any comments (verbal and written) made by the Entity and by Commission representatives and take these into account for the audit report.

4. **Reporting**

4.1. *Basic Reporting Requirements and Language*

The Auditor should report the results of the audit in accordance with the IFAC International Framework for Assurance Engagements and ISAE 3000, the practices of his/her audit firm and the requirements of these ToR.

The audit report should be objective, clear, concise, timely and constructive.

The report should be presented in the language as indicated in Section 6.3 of the ToR. If the language of the report is other than English or French the Auditor should also provide an executive summary of the report in English or French.

4.2. *Date of the Audit Report and the Independent Auditor's Report*

The date of draft and pre-final reports should be the date when these reports are sent for consultation. The date on the cover page of the final audit report should be the date when the final Independent Auditor's Report is signed.

Facts and events that have come to the Auditor's attention before the final Independent Auditor's Report is signed and which have an impact on that report (i.e. on the opinion and findings) must be taken into account. However, the auditor is under no obligation to enquire of the Entity's management and/or to carry out further audit procedures after the audit closing meeting and before the signature of the final report.

4.3. *Procedure for the consultation and submission of the draft report*

The Auditor should submit a draft report to the Commission (i.e. to the attention of the ATM) within 21 calendar days after the day of the closing meeting (i.e. the end of audit field work). The draft report should include the comments of the Entity insofar as these have already been obtained during the fieldwork of the audit and the closing meeting.

A paper and an electronic version of the draft report along with a cover letter should be submitted. The word 'draft' should be clearly indicated on all versions.

The Commission should provide comments on the draft report to the Auditor within 21 calendar days from receipt of the draft report. The ATM should collect the Commission's comments and ensure a proper and timely submission to the Auditor.

The Commission may request the Auditor to carry out additional audit work in which case a reporting deadline should be agreed on a case-by-case basis.

The Auditor should submit a draft report which takes into account the Commission's comments to the Entity (and a copy of that report with cover letter to the ATM) within 7 calendar days from receipt of the Commission's comments.

The Entity should submit comments to the Auditor within 21 calendar days from receipt of the draft report.

If the Entity's comments are not received within this deadline, the Auditor reminds the Entity until a written reply from the Entity is received. In the exceptional case where the Entity does not reply or where the absence of a reply leads to excessive delays in the consultation and reporting process, the Auditor contacts the Commission to discuss a solution. The Auditor should record and document causes and reasons for delays in the consultation of reports for which the Auditor is not responsible.

The Commission normally foresees a meeting with the Auditor after receipt of the draft audit report. This meeting will take place at DEVCO Headquarters in Brussels, or in the EU Delegation concerned by the audit or at another place whichever location is most appropriate and convenient for both parties. The purpose of this meeting is to discuss the draft report and any related issues that require specific attention. The Commission and the Auditor may agree to refer to alternative methods to discuss the report such as for example conference calls.

The Auditor may, where necessary or appropriate, propose a meeting with Commission and EU Delegation staff to discuss the draft report and the comments made thereon.

4.4. Procedure for the consultation and submission of the final report

If no additional audit fieldwork is required, the Auditor should submit a pre-final report to the Commission (i.e. to the attention of the ATM) within 7 calendar days from receipt of the Entity's comments on the draft report. The word 'pre-final' should be clearly indicated on the cover page of the pre-final report.

The Commission should inform the Auditor in writing whether it accepts the pre-final report within 14 calendar days from receipt of the pre-final report.

The Auditor should submit a final report within 7 calendar days from receipt of the Commission's comments on the pre-final report.

The Auditor should then submit three original paper versions (two bound versions and one loose-leaf) and one electronic version of the final report along with a cover note to the Commission. In the cover note the Auditor should confirm that two original paper versions of the final audit report have been sent to the Entity. The reports should be provided on original letterhead of the Auditor. The word 'final' should be clearly indicated on all versions. The Auditor should also send an electronic

version of the final report i.e. a scanned copy (in PDF format) of the signed and dated final report with the Auditor's letterhead paper should also be sent to the ATM.

The ATM will ensure submission of the final audit report to the Commission services concerned. The period between the audit closing meeting and the submission to the Commission of the final audit report should not exceed 98 calendar days or 14 weeks.

**Annex 5:
Model for System Audit Report (Systems Audit Report (design
and operating effectiveness of Internal Control Systems))**

<AUDITOR'S LETTERHEAD>

**EUROPEAN COMMISSION
EUROPEAID DEVELOPMENT AND COOPERATION
DIRECTORATE GENERAL ('DEVCO')
[DRAFT, PRE-FINAL OR FINAL] REPORT¹**

[date]

**<for the final report this is the date on which the final Independent Auditor's Report is signed;
for a draft or pre-final report this is the date on which these reports are sent for consultation>**

**SYSTEMS AUDIT
Design and operating effectiveness of the Internal Control System
OF [TITLE OF THE PROJECT]**

Entity subject to Audit:	[Entity name]
Country:	[Country where the project is implemented]
Commission service :	[DEVCO Service/Unit or EU Delegation]
DEVCO Directorate:	[Indicate Directorate concerned]]
Audit Framework Service Contract:	2013/S192-330430 (Lot N° 1)
	<remove if the Auditor has not signed an AFC>
Audit Module N°	[as per Audit Module]
Auditor:	[Audit firm and office having responsibility for the audit]
Period subject to audit:	[date] to [date]
Dates of audit fieldwork:	[[date] to [date]
Project status:	[indicate ongoing or completed]

¹ The European Commission has requested this report. The views expressed in this report are those of the external auditor and in no way reflect the official opinion of the European Commission. This report is intended solely for the information and use of the European Commission for the purpose of its control of the use of funds of the project concerned by the audit. It may be disclosed to those EU official authorities having regulatory right of access to it, such as the European Court of Auditors, the Internal Audit Service and the European Anti Fraud Office. This report should not be used by any other party or for other than its intended purpose.

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INSTRUCTIONS FOR USING THIS MODEL REPORT

This model report for a **systems audit** of the **design and operating effectiveness of the Internal Control System** provides a report format and structure for the Auditor and it also includes guidance for the content of the report sections.

- All grey shaded text in *<Italic>* is guidance which should be removed.
- All text which is **not** grey shaded can be used by the Auditor for drawing up the report. The Auditor can modify text as he/she sees fit **except for the prescribed text of the Independent Auditor's report.**
- This model report includes **four** formats for the **Independent Auditor's Report** for a **Systems Audit** of the **design and operating effectiveness of the Internal Control System**: unqualified, qualified and adverse opinion and disclaimer of opinion.

Models which do not apply should be fully removed.

The prescribed text and wording of the Independent Auditor's Assurance Report for a Systems Audit should be respected at all times and not be changed.

This instruction page should be removed from the report

GUIDANCE FOR AUDIT OPINIONS

The Auditor should assess the magnitude (i.e. minor, significant or fundamental) of the weaknesses in the Internal Control System. For the purpose of determining what is a material weakness or deficiency in the Internal Control System the Auditor should assess whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the European Commission. The assessment of the magnitude of weaknesses in the Internal Control System is a matter of professional judgment of the Auditor.

If the Auditor's internal control findings relate to **minor weaknesses** in the Internal Control System which **do not** pose a significant risk to the achievement of the objectives of the Project, the effects of these weaknesses should be considered as **not material** in the context of the audit. The Auditor should express an **unqualified** opinion and use an **Emphasis of Matter** paragraph to draw the attention to findings for minor weaknesses in the Internal Control System, if any.

If the Auditor's internal control findings relate to **significant weaknesses** in the Internal Control System which pose a **substantial** risk to the achievement of the objectives of the Project, the effects of these should be considered as **material** in the context of the audit. The Auditor should express a **qualified** opinion

If the Auditor's internal control findings relate to **fundamental weaknesses** in the Internal Control System which pose a **critical** risk to the achievement of the objectives of the Project, the effects of these should be considered as **material and pervasive** in the context of the audit. The Auditor should express an **adverse** opinion.

In cases of **scope limits** the Auditor should assess the uncertainty and the possible effects of the uncertainty on the design and operating effectiveness of the Internal Control System and decide whether it is appropriate to issue a **qualified, adverse or disclaimer of opinion**.

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for an unqualified opinion>

European Commission
EuropeAid Development and Co-operation Directorate General *<or: Delegation of the European Union in country>*
Rue de la Loi / Wetstraat 41 *<or: address of EU Delegation concerned>*
B-1040 BRUSSELS

We have audited the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided by the European Commission not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Our findings are set out in the relevant sections of our report, which is made solely to the European Commission in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Respective Responsibilities of the Entity's management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project.

Our responsibility is to audit the Internal Control System and to report our findings to the European Commission in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out our work in accordance with the International Framework and Standards for Assurance Engagements (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work.

Scope of the audit

The scope of our audit is set out in our Terms of Reference as noted in Section 3 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the European Commission.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

We have taken into account all the available evidence presented to us during our fieldwork which we finalised on [date of closing meeting], including the subsequent comments and information of the Entity and of the European Commission up to the date of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified Opinion

In our opinion the Internal Control System set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project, was suitably designed and operated effectively in the period from [date] to [date].

Emphasis of Matter <remove this paragraph if not applicable>

Without qualifying our opinion we draw your attention to the findings as set out in Section 4 of our report detailing minor weaknesses in the Internal Control System. As these weaknesses do not pose a significant risk to the achievement of the objectives of the Project, they are not considered to be material in the context of our audit. Nevertheless, we report them to you in accordance with our Terms of Reference in order that they may be brought to the attention of the Entity and remedied in order to further strengthen the Internal Control System.

Distribution and Use

The European Commission has requested this report and it is intended solely for the information and use of the European Commission and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

Date of signature <not be used for draft reports. The date when the **final** report is signed.>

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for a qualified opinion>

European Commission
EuropeAid Development and Co-operation Directorate General *<or: Delegation of the European Union in country>*
Rue de la Loi / Wetstraat 41 *<or: address of EU Delegation concerned>*
B-1040 BRUSSELS

We have audited the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided by the European Commission not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Our findings are set out in the relevant sections of our report, which is made solely to the European Commission in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Respective Responsibilities of the Entity's management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project.

Our responsibility is to audit the Internal Control System and to report our findings to the European Commission in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out our work in accordance with the International Framework and Standards for Assurance Engagements (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work.

Scope of the audit

The scope of our audit is set out in our Terms of Reference as noted in Section 3 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the European Commission.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

We have taken into account all the available evidence presented to us during our fieldwork which we finalised on [date of closing meeting], including the subsequent comments and information of the Entity and of the European Commission up to the date of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

We refer to our findings as set out in Section 1 (Summary of Findings) of our report detailing significant weaknesses in the Internal Control System and which therefore pose a substantial risk to the achievement of the objectives of the Project. The effects of these weaknesses to the design and operating effectiveness of the Internal Control System are considered to be material in the context of our audit.

[We were unable to obtain sufficient appropriate audit evidence about [describe issues] because [describe reasons / circumstances]. The effects of this to the design and operating effectiveness of the Internal Control System are material but not pervasive in the context of our audit.]

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the preceding 'basis for qualified opinion' paragraph, the Internal Control System set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project was suitably designed and operated effectively in the period from [date] to [date].

Distribution and Use

The European Commission has requested this report and it is intended solely for the information and use of the European Commission and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

Date of signature <not be used for draft reports. The date when the **final** report is signed.>

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for an adverse opinion>

European Commission
EuropeAid Development and Co-operation Directorate General *<or: Delegation of the European Union in country>*
Rue de la Loi / Wetstraat 41 *<or: address of EU Delegation concerned>*
B-1040 BRUSSELS

We have audited the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided by the European Commission not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

This systems audit covers the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Our findings are set out in the relevant sections of our report, which is made solely to the European Commission in order to gain assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

Respective Responsibilities of the Entity's management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project.

Our responsibility is to audit the Internal Control System and to report our findings to the European Commission in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out our work in accordance with the International Framework and Standards for Assurance Engagements (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work.

Scope of the audit

The scope of our audit is set out in our Terms of Reference as noted in Section 3 of our report. It includes an assessment of the main risks to the achievement of the objectives of the Project including risks to the Project funding provided not being used in conformity with the applicable Contractual Conditions and the risk of error, irregularities and fraud with regard to Project funding. The scope of our audit includes an assessment of whether the design of the Internal Control System sufficiently mitigates those risks and whether it is operating effectively.

Our work is designed to concentrate only on the key internal controls of the Entity and specifically those relating to the Project which are designed to prevent and detect material errors, irregularities or fraud with regard to the Project funding.

For the purpose of determining what is a material weakness or deficiency in the Internal Control System we have assessed whether the absence or failure of a control or a series of controls results in a significant risk of material error, irregularity or fraud in the use of the Project funds provided by the European Commission.

Accordingly, our findings cannot be relied upon to disclose every weakness in internal control that may exist at the Entity or Project level. Additionally, although our audit scope includes consideration of qualitative as well as quantitative factors, it is not a performance audit and therefore concentrates on financial internal controls rather than operational controls.

We have taken into account all the available evidence presented to us during our fieldwork which we finalised on [date of closing meeting], including the subsequent comments and information of the Entity and of the European Commission up to the date of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Basis for Adverse Opinion

We refer to our findings as set out in Section 1 (Summary of Findings) of our report detailing fundamental weaknesses in the Internal Control System and which therefore pose a critical risk to the achievement of the objectives of the Project. The effects of these weaknesses to the design and operating effectiveness of the Internal Control System are considered to be both material and pervasive in the context of our audit.

[We were unable to obtain sufficient appropriate audit evidence about [describe issues] because [describe reasons / circumstances]. The effects of this to the design and operating effectiveness of the Internal Control System are material and pervasive in the context of our audit.]

Adverse Opinion

In our opinion, because of the fundamental nature of the matters referred to in the preceding 'basis for adverse opinion' paragraph, the Internal Control System set up and operated by the Entity for the purpose of managing material risks to the achievement of the objectives of the Project was not suitably designed and did not operate effectively in the period from [date] to [date].

Distribution and Use

The European Commission has requested this report and it is intended solely for the information and use of the European Commission and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

Date of signature <not be used for draft reports. The date when the **final** report is signed.>

Independent Auditor's Report – Systems Audit

Design and operating effectiveness of the Internal Control System

<Format for a disclaimer of opinion>

European Commission
EuropeAid Development and Co-operation Directorate General **<or: Delegation of the European Union in country>**
Rue de la Loi / Wetstraat 41 **<or: address of EU Delegation concerned>**
B-1040 BRUSSELS

We have been engaged to audit the Internal Control System set up and operated by [name], the 'Entity' for the project entitled [title of the project], the 'Project' and for the purpose of managing risks to the achievement of the objectives of the Project. These risks include risks to the Project funding provided by the European Commission not being used in conformity with the applicable Contractual Conditions as set out in section 2.2 of our report and the risk of error, irregularities and fraud with regard to Project funding.

The purpose of this systems audit was to cover the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Respective Responsibilities of the Entity's management and auditors

The Entity's management are responsible for the design, implementation and effective operation of the Internal Control System, including the management and control of risks to the achievement of the objectives to the Project.

Our responsibility is to audit the Internal Control System and to report our findings to the European Commission in accordance with the Terms of Reference for the audit engagement. These specify that we should carry out our work in accordance with the International Framework and Standards for Assurance Engagements (issued by the International Federation of Accountants) insofar as these standards can be applied in the specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled. These standards require us to observe applicable ethical standards in the conduct of our work.

Basis for Disclaimer of Opinion

The scope of our audit is set out in the Terms of Reference as noted in Section 3 of our report. We were unable to obtain sufficient appropriate audit evidence about the [describe issues] because [describe reasons / circumstances]. The possible effects of this to the design and operating effectiveness of the Internal Control System could be both material and pervasive in the context of our audit. As a result of this uncertainty we do not have a basis for an opinion.

Disclaimer of Opinion

Because of the significance of the matters described in the 'basis for disclaimer of opinion' paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

Distribution and Use

The European Commission has requested this report and it is intended solely for the information and use of the European Commission and the Entity.

Auditors' signature <person or firm or both, as appropriate>.

Name of Auditor signing <person or firm or both, as appropriate>.

Auditor's address <office having responsibility for the audit>.

Date of signature <not be used for draft reports. The date when the **final** report is signed.>

1. Summary of Findings

<Provide a summary (2-3 pages) of the detailed internal control findings in Chapter 4.>

1.1 Summary of Internal Control Findings

Our detailed internal control findings in Section 4 can be summarised as follows:

Finding n°.	Internal control issue	Title	Priority (1)	Entity comments
1	[same as in Section 3.1]	[same title as in Section 4]	[level 1,2 or 3]	[agreed / disagreed]
2				
3				
Etc				

(1) Priority level of the recommendation (see Section 4).

1.2 Key Audit Data for the Audit Module

The summary tables below contain **key audit data** and are solely for **use of the Commission** for internal reporting purposes in the **Audit Module**.

Type of audit	Systems audit - design and operating effectiveness of the Internal Control System
Type of systems audit opinion	[Qualified, Unqualified, Adverse, Disclaimer]

Internal Control Findings					
N°	internal control issue	number (1) findings priority 1	number findings priority 2	number findings priority 3	total number of findings
1	No documentation or inadequate documentation				
2	Accounting system and procedures				
3	Financial reporting system and procedures				
4	IT systems and procedures (computerised information systems)				
5	Control environment				
6	Asset management including related procurement process and procedures				
7	Cash and bank management (treasury)				
8	Expenditure control including related procurement process and procedures				
9	Human resources and payroll management				
10	Other				
	Total internal control findings				

(1) This is the number of times a finding for the compliance issue concerned was made. For priority levels for ranking the recommendations relating to the findings see Section 4.

2. The Engagement Context

<This Chapter should contain a description of the engagement context of maximum 8 pages. Information in the ToR and related documents (e.g. ToR Annex) can be taken.>

2.1. Reason for the Audit

<Describe whether the audit was foreseen in a DEVCO Audit Plan and for what reason i.e. risk based or mandatory.>

2.2. Contractual Conditions

<Describe agreements, contracts and other regulatory and contractual documents which set out the Contractual Conditions for the Project. These may include:

- ✓ Basic Regulations, Financing and other Agreements and related documents*
- ✓ External aid contracts for works, services, supplies or grants, programme estimates and related documents*

Where applicable annexes and amendments (i.e. riders) to agreements, contracts etc. should be mentioned. If the Project is implemented through a series of contracts or other documents (e.g. programme estimates) describe which contracts were covered by the audit and which ones were excluded and for what reasons.>

2.3. Project subject to Audit

<Describe the characteristics of the Project subject to audit and its context including:

- ✓ The background and history of the Project*
- ✓ A description of the Project, objectives, results, main activities, Project locations and context (e.g. country, sector, type of project).*
- ✓ The implementation structure for the Project covering the roles and responsibilities of the Entity and of other parties, external stakeholders (e.g. ministries and departments of the partner government, agencies etc.) and specific instances such as for example project steering committees involved with the implementation of the project.*
- ✓ Duration, state of implementation and notable successes or problems*
- ✓ A financial report or analysis of the Project>*

2.4. Entity subject to Audit

<Briefly describe the Entity's organisation and management structure>

2.5. Internal Control System subject to Audit

<Provide a (summary) description of the Internal Control System focusing on the main / key internal controls designed and implemented by the Entity insofar these internal controls are relevant to the Project and to the objectives for the Project (see ToR Section 6.2, Planning and Fieldwork). The Auditor can provide further details of the Internal Control System in Annex 1.>

Annex 1 contains details of the Entity's Internal Control System subject to audit.

3. The Audit

<Section 3 should contain a description of the audit of maximum 8 pages.>

We have been engaged by the European Commission to perform this audit in accordance with the terms of reference attached to the Commission's [request for services; or other document if the Audit Framework Contract was not used] of [date] and the Commission's [order form; or contract other document if the Audit Framework Contract was not used] of [date] with reference [order form number or reference of other document].

3.1. Audit Objectives

<The text on the audit objectives should normally be the same as in Section 2 (Objectives) of the ToR. Any changes to the audit objectives in the ToR should be agreed with the ATM and be addressed here.>

3.2. Audit Scope

<The text on the audit scope should normally be the as in Section 5 (Scope) of the ToR. Any changes to the audit scope in the ToR should be agreed with the ATM and be addressed here.>

3.2.1. Contractual Conditions

< Refer to the Contractual Conditions for the Project in Section 2.2.>

The Contractual Conditions for the Project are set out in Section 2.2 of this report. The scope of this audit included obtaining a sufficient understanding of the applicable EC laws and regulations for the Project, the Contractual Conditions and of the requirements for controls set out in Section 6.2 of the ToR (Planning and Fieldwork) for this audit engagement.

3.2.2. Scope of Work

The scope of work of this systems audit covered the design and operating effectiveness of the Internal Control System in the period from [date] to [date].

The Internal Control System subject to audit is described at Section 2.5 of this report.

The scope of work included specific considerations and procedures which are set out further below at Section 3.3.

3.2.3. Scope Limitations

<Describe scope limits if any. >

3.3. Audit Procedures

<Describe the **specific considerations** and **procedures** covered by the scope of work (Section 6.2 of the ToR, Planning and Fieldwork). For example, there are specific considerations for materiality and for risk assessment and for the internal controls and internal control areas which are relevant and appropriate to the Project and the Entity.

The latter include, but are not necessarily limited to key financial internal controls which are related to the revenue and expenditure categories in the financial report for the Project and the ones which are important for the management and control of the Project activities. This is critical in this specific context of a systems audit intended to provide assurance that risks to the achievement of the objectives of the Project are properly managed and controlled.

The structure provided below should be used (insofar applicable). Descriptions can be taken from section 6.2 of the ToR (Planning and Fieldwork) and Annex 2 to the ToR (Systems Audit Process and Procedures) and be complemented by the Auditor as he/she sees fit.>

The scope of work included the following specific considerations and procedures:

Obtaining an Understanding of the Engagement Context

[description]

Risk Assessment and Materiality

[description]

Obtaining Evidence regarding Design of Controls

[description]

Test of Controls

[description]

Sampling and other means of selecting items for testing

[description]

Using the work of Internal Auditors <remove if not applicable>

[description]

Obtaining Written Representations <remove if not applicable>

[description]

4. Findings and Recommendations

<The Auditor may use separate pages for each finding. Each finding should be given a sequence number.>

Our detailed internal control findings are set out below.

Finding n°: [number]	Title: [title of the finding]
Internal control issue: [internal control issue n° 1 – 10]	
Description of the finding: [describe in detail the finding covering <u>facts, criteria, cause and impact</u> . For criteria mention relevant article(s) / contractual provision(s) in the Contractual Conditions.]	
Recommendation: <description the recommendation> <i><recommendations should be designed to correct existing situations, to improve the management and internal control system of the Project or to better comply with established controls and/or best practice></i> .	
Recommendation priority: Priority 1 - Urgent remedial action is required; Priority 2 - Prompt specific action is required; Priority 3 - Specific remedial action is desirable <i><remove what is not applicable></i>	
Comments from the Entity: [state whether the Entity agrees or disagrees with the finding and describe Entity comments]	
Comments from the Commission: [describe Commission comments]	
Further comments of the Auditor: [complete only if the Entity does not agree with the finding of the Auditor but the Auditor still believes that the finding is valid. In that case the Auditor should rebut here the comments of the Entity and justify why the finding is still made>	

Priority levels for ranking recommendations

Priority 1 - Urgent remedial action is required. Key internal controls are absent or are not complied with on a regular basis. There is a fundamental weakness or deficiency in an internal control or in a series of internal controls which involves a substantial risk of either material error, or irregularity or fraud with regard to the expenditure and revenue stated in the Financial Report of the Project. There is a substantial risk of failure to achieve the control objectives for the Project which concern reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations notably the Contractual Conditions for the Project. Such risks could lead to an adverse impact on the financial report of the Project. Remedial action should be taken urgently.

Priority 2 - Prompt specific action is required. There is a weakness or deficiency in an internal control or in a series of internal controls which, although not fundamental, relates to shortcomings which expose specific internal control areas (e.g. cash and bank management or budgetary and expenditure control) to a less immediate level of risk of either error, or irregularity or fraud. Such a risk could impact on the effectiveness of the internal controls and on the internal control objectives and should be of concern to the Entity's management. Prompt specific action should be taken.

Priority 3 - Specific remedial action is desirable. There is a weakness or deficiency in internal control which individually has no major impact but where the Project would benefit from improved internal controls and/or where the Entity would have the opportunity to achieve greater effectiveness and/or efficiency. There is a possibility of undesirable effects at the process level, which, combined with other weaknesses, could give cause for concern.

Annexes

Annex 1: Internal Control System subject to Audit

<The Auditor can provide further details of the Internal Control System subject to audit in this Annex.>

Annex 2: Other Information

< Annex 2 can be used to include other relevant information.

The Auditor may add other Annexes to include additional information as he/she deems necessary or appropriate>

Annex 3: Persons contacted or involved in the Audit

The Auditor – [name of the audit firm]

[Name 1]	[indicate position / title of the person in the audit firm who has ultimate responsibility for the engagement and its performance, and for the report that is issued on behalf of the firm, e.g. Partner, Director or equivalent]
[Name 2; optional]	[optional (if not in conflict with the practices and HR policies of the Audit Firm). Indicate position / title in the audit firm of the person in the audit firm who has been managing the audit. E.g. Senior Manager]

The Entity subject to audit – [name of the Entity]

[Name 1]	[indicate position / title in the audited entity e.g. Director, Finance Manager, Accountant, Programme Manager]
[Name 2]	[as 1]
[Name 3 etc]	[as 1]

EuropeAid Development and Co-operation Directorate General

[Name 1]	Audit Task Manager. [to be completed only if the Audit Task manager works at DEVCO. Indicate position and unit in DEVCO]
[Name 2]	[indicate position / title and unit in DEVCO e.g. Head of Finance, Contracts and Audit]
[Name 3 etc]	[as 2]

Delegation of the European Union in [country]

[Name 1]	Audit Task Manager. [to be completed only if the Audit Task manager works in the EU Delegation. Indicate position in the EU Delegation]
[Name 2]	[indicate position in the EU Delegation e.g. Head of Finance and Contracts, Programme Officer, Contracts Officer, Finance Officer etc]
[Name 3 etc]	[as 2]

[Indicate name of any other external organisation or person contacted or involved in the audit such as the Entity's statutory auditors or Technical Assistants. Remove this table if not applicable]

[Name 1]	[indicate position / title in the organisation]
[Name 2 etc]	[as 1]