

CONTRACT – A4

TERMS OF REFERENCE FOR THE VERIFICATION OF EXPENSES FOR THE EXECUTION OF A GRANT CONTRACT

HOW TO USE THIS TERMS OF REFERENCE TEMPLATE? All text highlighted in yellow in this Terms of Reference template and annexes 1 and 2 only contains instructions and the beneficiaries should remove it after use.

The sections of the reference conditions between <...> (e.g., <name of coordinator>) must be fulfilled by the coordinator.

The following provisions constitute the Terms of Reference (TR) whereby the < **name of coordinator** > (the term ‘Coordinator’ refers to the beneficiary appointed as coordinator in the Special Conditions) undertakes to contract < **audit firm designation** > (the ‘auditor’) to verify expenditure and to prepare the corresponding report in relation to the grant contract < **action title** > (the ‘grant agreement’). In these Terms of Reference, the ‘contracting authority’ mentioned is Camões, I.P., which has signed the grant agreement with the beneficiary and which provides the corresponding funding. The contracting authority is not a party to this Agreement.

Obligations of the parties to the commitment

The term ‘**beneficiary(ies)**’ refers collectively to all beneficiaries, including the coordinator, of the action. If there is only one action beneficiary, the terms ‘beneficiary(ies)’ and ‘coordinator’ shall be understood to refer to the sole beneficiary of the action. Where appropriate, the term ‘beneficiary(ies)’ includes its affiliated entities.

- The coordinator is responsible for submitting a financial report on the action financed under the grant contract, under the terms and conditions set out in the grant contract, as well as ensuring that this report is reconciled with its accounting system and with the relevant records and accounts. The beneficiary is responsible for providing sufficient and adequate financial and non-financial information to support of the financial report.
- The coordinator acknowledges that the auditor's ability to carry out the necessary procedures under this agreement effectively depends on ensuring full and unconditional access to its accounts, accounting system and relevant records by the beneficiaries and, where appropriate, its affiliated entities.
- The ‘**auditor**’ is responsible for carrying out the procedures which are the object the agreement, defined in these TR. The term ‘auditor’ refers to the audit firm contracted to execute this agreement and to provide the beneficiary with a report of the factual findings. The term ‘auditor’ may refer to the person or persons carrying out the verification, usually a partner of the firm or other members of the audit team. A partner of the firm means the partner or other person responsible for the audit and

report to be issued on behalf of the company, and who has the appropriate status granted by a professional, legal or regulatory body.

By accepting these TR, the auditor confirms that it respects at least one of the following conditions:

- The auditor and/or the firm are members of a national accounting or auditing institution or body which, in turn, is a member of the *International Federation of Accountants* (IFAC);
- The auditor and/or the company are members of a national accounting or auditing institution or body; although this organization is not a member of IFAC, the auditor undertakes to carry out this audit in accordance with IFAC's deontological rules and standards provided for in these TR.
- The auditor and/or the company are registered as statutory auditors in the public register of a public supervisory body in an EU Member State, in accordance with the principles of public supervision set out in Directive 2006/43/EC of the European Parliament and Council (for auditors and audit firms based in an EU Member State¹).
- The auditor and/or the company are registered as statutory auditors in the public register of a public supervisory body in a third country and this register is subject to the principles of public supervision provided for in the legislation of the country in question (for auditors and audit firms based in a third country).

Object of the commitment

The object of this commitment is the <interim or final; delete what does not apply> financial report relating to the grant contract for the period between <(day) of (month) of (year) and (day) of (month) of (year)> and the action entitled <action title>, the "action". Annex 1 to these TR contains information on the grant contract.

Justification for the commitment

The coordinator is required to submit an expenditure verification report to the contracting authority, which must be prepared up by an external auditor who shall monitor each payment request submitted by the former in accordance with Article 15 of the General Conditions of the Grant Contract.

1.1. Type and purpose of the commitment

The verification of expenditure includes a commitment to implement certain procedures, established by common agreement, in relation to the grant contract's financial report. The aim of this expenditure verification is for the auditor to carry out the specific procedures set out in Annex 2A to these TR and to report the factual results of the specific verification procedures carried out to the coordinator. Verification means that the auditor examines the factual information relating to the coordinator's financial report and

¹ Directive 2006/43/EC of the European Parliament and of the Council, of 17 May 2006, on statutory audits of annual and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

compares it with the conditions provided for in the grant contract. As this commitment does not include certification, the auditor does not formulate an audit opinion, nor do they provide any reliability guarantees. The contracting authority assesses the factual results reported by the auditor by itself and draws its own conclusions from those factual results.

1.2. Standards and deontological rules

The auditor shall assume the commitments arising from this Agreement in accordance with:

- the International Standard on Related Services (ISRS) 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information, approved by IFAC;
- the Code of Ethics for Professional Accountants, prepared and published by IFAC's International Ethics Standards Board for Accountants (IESBA). This code establishes the fundamental ethical principles for reviewers/auditors with regards to integrity, objectivity, independence, professional competence and diligence, confidentiality, professional behaviour and technical standards. Although ISRS 4400 standard states that independence is not a requirement for commitments relating to procedures determined by common agreement, the contracting authority requires the auditor to comply with the independence requirements vis-à-vis beneficiaries, set out in the IFAC Code of Ethics for Professional Auditors/Reviewers.

1.3. Procedures, evidence and documentation

The auditor plans the work so that the verification of expenses is carried out in an effective manner. The auditor shall carry out the procedures set out in Annex 2A to these TR ('List of specific procedures to be carried out') and follow the guidelines set out in Annex 2B ('Guidelines on the specific procedures to be carried out'). The supporting documents required to carry out the procedures set out in Annex 2A is the financial and non-financial information needed to analyse the expenditure submitted by the coordinator in the final report. The auditor shall use the evidence obtained through these procedures as the basis for the report on the factual findings. The auditor shall document the important aspects by providing supporting evidence for the factual findings report, and demonstrate that they have carried out their work in accordance with ISRS 4400 and these TR.

1.4. Report Preparation

The expenditure verification report must describe, in sufficient detail, the objective, the procedures defined by common agreement and the actual results obtained from this commitment, in order to enable the coordinator and the contracting authority to understand the nature and extent of the procedures carried out by the auditor, as well as the factual results contained in their report.

The use of the 'Expenditure verification report template for grant contracts from Camões, I.P.', in Annex 3 of these TR, is mandatory. This report must be submitted by the auditor to <name of coordinator> within < number of working days to be indicated by the coordinator > working days from the date of signature of these TR.

1.5. Other conditions

The fees for the execution of this Agreement are < amount and currency of fees >

[The coordinator may wish to agree on set fees for the Agreement or may proceed differently. The coordinator and the auditor may wish to lay down specific conditions. The coordinator must indicate the reimbursable expenses and expense allowances (travel, etc.) agreed with the auditor and whether the fees/expenses include VAT and/or other taxes.]

<The coordinator and the auditor may use this section to establish any additional specific conditions>

Annex 1	Information on the grant contract
Annex 2A	List of specific procedures to be carried out
Annex 2B	Guidelines on the specific procedures to be carried out
Annex 3	Expenditure verification report template for grant contracts from Camões, I.P.

By the coordinator:

Signature

<name and position>

<date>

By the auditor:

Signature

< name and position >

<date>

Annex 1 Information on the grant contract*[Annex to be filled by the coordinator]*

Information on the grant contract	
Grant contract reference number and date	<Contracting authority's reference for the grant contract>
Grant contract name	
Country	
Coordinator	<coordinator's full name and address as per the grant contract>
Beneficiaries and their affiliated entities	<full name and address of the beneficiaries and their affiliated entities as per the grant contract>
Start date of the action's implementation period	
End date of the action's implementation period	
Action's total eligible cost	<amount(s) specified in the grant contract's special Conditions>
Maximum grant amount	<amount(s) specified in the grant contract's special Conditions>
Total amount received from the contracting authority to date, by the Coordinator	<Total amount received up to dd.mm.yyyy>
Payment request total amount	<specify total payment amount requested>
Contracting authority	[<name, job/role, phone number and email address of Camões, I.P.'s contact >
Auditor	<audit company name and address and auditors' names/roles>

[This annex is a standard list of specific procedures to be carried out and it must not be altered.]

1. GENERAL PROCEDURES

1.1. Terms and conditions of the grant agreement

The auditor:

- studies and understands the terms and conditions of the grant contract, by examining the contract in question, its annexes and other relevant information, or by consulting the Coordinator;
- obtains a copy of the original grant contract (signed by the Beneficiaries and the contracting authority), including its annexes;
- obtains analyses the report prepared pursuant to the General Conditions (which includes a description and a financial section);
- checks whether the grant contract has only one or more beneficiaries (see grant contract introduction; the term 'coordinator' is used in cases when there are multiple beneficiaries);
- checks whether there are affiliated entities of any of the beneficiaries

Note: The purpose of the last two procedures is to enable the Auditor to understand the beneficiaries' responsibilities for reporting and access to staff and documentation.

1.2. Financial report on the grant contract

The auditor checks whether the financial report complies with the following conditions provided for by the grant contract's General Conditions:

- The financial report must comply with the template in annex V of the grant contract;
- The financial report must fully cover the action's eligible costs, irrespective of which part of the action is financed by the contracting authority;
- The financial report must be prepared in the same language as the grant contract;
- Proof of the transfer of ownership of equipment, vehicles and supplies whose acquisition cost was above EUR 5 000.00 per unit shall be annexed to the final financial report.

1.3. Accounting rules and record keeping

- In performing the procedures described in this Annex, the auditor checks whether the beneficiary has complied with the following accounting and record-keeping rules provided for in grant contract's general terms and conditions, particularly:
- The accounting carried out by the beneficiaries within the scope of action's implementation must be accurate and regular;
- The beneficiary must have a double-entry accounting system;
- The accounts and expenses relating to the action must be easily traceable, identifiable and controllable.

1.4. Reconciliation of the financial report with the beneficiary's accounting system and records

The auditor reconciles the data contained in the financial report with those of the accounting system and the beneficiary's records (e.g. balance sheet, general ledger accounts and their subaccounts, etc.).

1.5. Exchange rates

The auditor verifies that the action's financial report is expressed in the currency specified in the special conditions and that it complies with the general conditions. It also checks whether expenses incurred in a currency other than that used in the beneficiary's accounts for the action have been converted in accordance with the beneficiary's usual accounting practices and the general conditions, unless otherwise specified in the special conditions.

2. PROCEDURES FOR VERIFYING COMPLIANCE OF EXPENDITURES WITH THE BUDGET AND ANALYTICAL AUDITING

2.1. Grant contract budget

The auditor carries out an analytical audit of the expenditure items included in the financial report.

The auditor checks that the budget specified in the financial report corresponds to the grant contract's budget (authenticity and allocation of the initial budget) and that the expenses incurred were foreseen in the grant contract's budget.

2.2. Changes to the grant contract budget

The auditor checks whether there have been any changes to the grant contract budget. In this case, the auditor checks whether the coordinator:

- requested an amendment to the budget and obtained an addendum to the grant contract, if such an addendum was necessary;
- informed the contracting authority of the change, if an addendum to the grant contract is not required.

3. PROCEDURES FOR VERIFYING SELECTED EXPENDITURE

3.1. Eligibility of costs

For each item of expenditure selected, the auditor checks the following eligibility criteria:

(1) *Costs effectively borne*

The auditor checks whether the expenses related to a selected item were actually borne by the beneficiaries and actually concern the beneficiaries or their affiliated entities. The auditor shall take into account the detailed conditions of the costs actually incurred. For this purpose, the auditor examines supporting documents (e.g. invoices, contracts) and proofs of payment. The

auditor also examines the evidence related to work carried out, the goods received or services provided and, when applicable, checks for the existence of assets.

At the final reporting stage, costs borne during the implementation period but not yet paid may be accepted as costs actually incurred, provided that: 1) there is proof of liability (order, invoice or equivalent) for services provided or goods supplied during the period of implementation action; 2) the final costs are known; 3) those costs are listed in the final financial report (Annex V) together with the expected payment date. The auditor checks that these cost elements were actually paid when they were verifying expenditure.

(2) *Deadline - implementation period*

The auditor checks whether expenses relating to a selected item were incurred during the action's implementation period. Costs related to final reports, including expenditure verification reports, audit reports and final evaluation reports on the action, and those which may occur after the action's implementation period are all excluded.

(3) *Budget*

The auditor verifies whether expenditure for a selected item has been specified in the action's budget.

(4) *Necessity*

The auditor verifies whether it is plausible that expenditure relating to a selected item are necessary for the execution of the action and it had to take place in order for the action's activities to be carried out, by examining the nature of the expenditure and supporting documents.

(5) *Records*

The auditor verifies that expenditure related to a selected item has been recorded in the beneficiary's accounting system and that this record complies with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices.

(6) *Applicable legislation*

The auditor checks whether the expenses comply with what is prescribed by the applicable tax and social security legislation (for example: employers' share of contributions, pension premiums and social security charges).

(7) *Justification*

The auditor checks whether expenditure relating to a single selected item is justified by supporting documents and by the supporting documents specified in the grant contract's general conditions.

(8) *Evaluation*

The auditor checks that the monetary value of a selected item is in accordance with the supporting documents (e.g. invoices, pay slips) and that, where applicable, the correct exchange rates were applied.

(9) *Ranking*

The auditor examines the nature of the expenditure of a selected item and verifies whether the expenditure has been classified under the correct heading (or sub-heading) of the financial report.

(10) *Compliance with the principles for the awarding of contracts and the rules of nationality and origin*

The auditor checks whether the beneficiary has entered into implementation contracts with tenderers under the general conditions and to which expenditure subheading(s), and type(s) of expenditure headings(s) do those contracts apply.

For items of expenditure incurred, the auditor checks that the beneficiary has complied with all applicable public procurement principles as set out in Annex II.

For this purpose, the auditor shall examine the supporting documents for the procurement and purchasing processes.

If the auditor finds any instances of non-compliance, they must communicate their nature and financial impact in terms of ineligible expenditure. When examining the supporting documents, the auditor shall take into account the risk indicators listed at the end of Annex 2B.

3.2. Eligible direct costs

The auditor checks whether the expenditure for selected headings recorded under one of the direct cost headings (1 to 6) of the financial report is covered by the direct costs defined in the general conditions by examining the nature of the expenditure headings in question.

3.3. Unforeseen

The auditor verifies that the reserve for contingencies (item 8 of the financial report) does not exceed 5 % of the action's eligible direct costs and that the Coordinator has obtained prior written

consent from the contracting authority to use this contingency reserve.

3.4. Indirect costs

The auditor checks whether the indirect costs covering the general charges (paragraph 10 of the financial report) do not exceed the maximum percentage of 7 % of the action's total final amount for eligible direct costs or the percentage set out in the grant contract's special conditions, if applicable.

3.5. Contributions in kind

The auditor checks that the costs included in the financial report do not include contributions in kind. Contributions in kind do **not** represent actual expenditure and do not constitute eligible costs.

3.6. Ineligible costs

The auditor checks that expenditure for a selected item does not refer to ineligible costs. These costs include, among other items, exchange rate losses.

3.7. Revenue from the action

The auditor checks whether the income that should be allocated to the action (including grants and funding received from other donors and other income generated by the beneficiary in the context of the action) has been allocated to it and included in the financial report. With this in mind, the auditor shall question the beneficiaries and examines the documentation obtained from them. The auditor should analyse the completeness of the revenue presented.

Annex 2B Guidelines on the specific procedures to be carried out

[This annex contains standard guidelines for the specific procedures to be carried out and it must not be altered]

1. VERIFICATION OF SUPPORTING EVIDENCE

In order to carry out the specific procedures set out in Annex 2A, the auditor may apply different techniques such as investigation and analysis, (re)calculation, comparison, other accounting accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations.

Through these procedures, the auditor verifies the evidence in order to draft a report on the factual results. The verification of the supporting evidence is based on all the information used by the auditor when examining the factual results and includes the information contained in the accounting records based on the financial report and other information (financial and non-financial).

The contractual conditions relating to the verification of supporting evidence are:

- Expenditure must be identifiable, verifiable and entered in the beneficiary's accounting records (see grant contract's general conditions);
- Beneficiaries shall allow any external auditor to carry out checks based on supporting documents for the accounts, accounting documents and any other document relevant to the financing of the action. Beneficiaries provide access to all documents and databases relating to the technical and financial management of the action (see grant contract's general conditions);

In addition, for the purposes of the procedures set out in Annex 2A, accounting and supporting records and documents:

- should be easily accessible and archived in such a way as to facilitate their analysis (see grant contract's general conditions);
- the originals, or copies, including in electronic format, must be made available;

Orientation: Accounting and supporting records and documents must be available in documentary form, either paper, in electronic or other format (for example, written minutes of a meeting are more reliable than a verbal presentation of the issues discussed). Electronic documents can only be accepted if:

- the documentation (e.g. a purchase order or confirmation) was first received or created by the beneficiaries in electronic form; or
 - the auditor certifies that the beneficiary uses an electronic filing system in accordance with established standards (e.g. a certified system that complies with national legislation).
- they should preferably be obtained from independent sources outside the entity (the original invoice or contract from a supplier is more reliable than an internally approved receipt);

- the internally generated elements are more reliable if they are subject to control and approval;
- the elements obtained directly by the auditor (e.g. an asset inspection) are more reliable than those obtained indirectly (e.g. information on the asset).

If the auditor finds that these criteria for supporting evidence are not sufficiently met, this should be specified in the factual findings report.

2. STUDY AND UNDERSTANDING OF THE GRANT CONTRACT'S CLAUSES AND CONDITIONS (ANNEX 2A - PROCEDURE 1.1)

The auditor studies and understands the grant contract's terms and conditions. **Special attention** should be paid to Annex 1B to the grant contract (description of the action), Annex I (general conditions) and **Annex II (Awarding of contracts by grant beneficiaries)**, which sets the principles for awarding contracts. **Failure to comply with these principles and rules makes expenditure ineligible for financing.**

The auditor ensures that the beneficiary has clearly identified and understood the principles for awarding contracts. If the auditor considers that the terms and conditions under verification are not clear enough, they shall request clarification from the beneficiary.

3. SELECTION OF EXPENDITURE FOR VERIFICATION (ANNEX 2A - PROCEDURES 3.1 TO 3.7)

The expenses declared by the Coordinator in the financial report are generally presented under the following expenditure headings: 1. Human Resources, 2. Travel, 3. Equipment and supplies, 4. Local office, 5. Other expenses and services, 6. Others, 8. Provision of reserve for contingencies and 10. Indirect costs. Expenditure headings 1 through 6 represent the action's **direct** costs. Expenditure headings can be subdivided into sub-headings, such as 1.1 Salaries.

Expenditure sub-headings can in principle be subdivided into individual expenditure headings or classes with the same or similar characteristics. The format and type of supporting evidence (e.g. a payment, a contract, an invoice, etc.) and the way in which expenses are recorded (e.g. journal entries) vary depending on the type and nature of the expenses or corresponding actions or operations. However, the expenditure items must always reflect the book (or financial) value corresponding to the underlying shares or transactions, regardless of the type and nature of the action or transaction in question.

The auditor shall consider the amount as the main factor to be used to select the elements or expenditure classes for verification. The auditor selects high-value expenditure items to ensure an adequate coverage of verified expenses.

4. COVERAGE OF EXPENDITURE VERIFICATION (ANNEX 2A - PROCEDURES 3.1 TO 3.7)

The auditor applies the principles and criteria set out below to the planning and execution of the specific verification procedures for the selected expenses in annex 2A (procedures 3.1 to 3.7).

The auditor's verification and scope of verification of expenditure headings do not necessarily imply a complete and exhaustive verification of all expenditure items under a given heading or sub-heading. The auditor must ensure systematic and representative verification. Depending on certain conditions (described below), the Auditor may obtain sufficient verification results for an

expenditure item's heading or subheading, by examining a limited number of selected expenses.

The auditor may apply statistical sampling to verify one or more expenditure headings or sub-headings in the financial report. The auditor checks that the 'populations' (i.e., expenditure sub-headings or expenditure item classes in expenditure sub-headings) are adequate and of sufficient size (i.e. they include a large number of items) for effective statistical sampling.

Where applicable, the auditor shall explain in the factual findings report where sampling has been applied, specifically to which headings or sub-headings of the financial report, which method is used, what results have been obtained and whether the representative sample is considered.

The Expenditure Coverage Ratio ('ECR') is the total amount of expenditure verified by the Auditor, expressed as a percentage of the total amount of expenditure declared by the coordinator in the financial report. This amount is indicated in annex V of the grant contract.

The auditor ensures a minimum ECR of **90 %**. If an exclusion rate of less than 10 % of the total expenditure amount is detected (i.e. 9.0 %), the auditor concludes the verification procedures and continues writing the report.

If an exclusion rate higher than 10 % is detected, the auditor continues to carry out the verification procedures until it reaches an ECR of at least **95 %**. The Auditor then completes the verification procedures and continues writing the report, regardless of the total exclusion rate found. The auditor ensures that the **ECR for each expenditure heading and sub-heading** is at least **10 %**.

5. PROCEDURES FOR VERIFYING SELECTED EXPENDITURE (ANNEX 2A — PROCEDURES 3.1 TO 3.7)

The auditor verifies the selected expenditure in accordance with procedures 3.1 to 3.10 of Annex 2A and includes all factual results and exceptions determined through these procedures in the report. In this context, exceptions means all deviations detected during the performance of the procedures set out in Annex 2A.

The auditor quantifies the amount of verification exceptions detected and their potential impact on Camões, I.P.'s contribution, in case this contracting authority declares the expenditure items in question to be ineligible (taking into account the percentage financed by Camões, I.P. and the impact on indirect expenditure, such as administrative expenditure). The auditor includes all exceptions detected in the report, even those for which they cannot quantify the amount for the exceptions detected and its potential impact on Camões, I.P.'s contribution.

Example: If the auditor detects an exception of EUR 1 000.00 relating to the principles applicable to the award of contracts in a grant contract in which Camões, I.P. finances 60 % of the expenditure, and where indirect costs of 7 % of the total direct eligible expenses are foreseen, the auditor reports an exception of EUR 1 000.00 and a financial impact of EUR 642.00 (EUR 1 000.00 x 60 % x 1.07).

RISK INDICATORS — AWARDING OF CONTRACTS

- Inconsistencies in document dates or illogical sequence of dates. Examples:
 - Bid dated after the contract award or before the issuance of calls for bid submission;
 - The winning bid has a date prior to the bid's publication date or a date significantly later than other tenderers' bid dates;
 - Bids from different bidders all have the same date;
 - The document dates are not plausible/consistent with the dates of the supporting documentation (e.g., the bid date is not plausible/consistent with the date of the envelope's postmark; the fax date is not plausible/consistent with the date printed by the fax machine);
- Unusual similarities in bids from candidates participating in the same competition. Examples:
 - Identical writing, sentences and terminology in bids from different bidders;
 - Identical layout and formatting (e.g. font and font size, margins, indents, paragraph formatting, etc.) in bids from different bidders;
 - Paper with similar letterhead or logos;
 - Same prices in bids from different bidders for some subcomponents or headings;
 - Identical grammatical and spelling choices or identical typos in proposals from different bidders;
 - Use of similar stamps and similar signatures;
- The information in the financial statement or other indicates that two tenderers participating in the same tender are related or are part of the same group (e.g. when financial statements are presented, notes to financial statements may reveal group membership; ownership information may also be found in the public account ledgers).
- Inconsistencies in the selection process and award decision. Examples:
 - Implausible award decisions/inconsistent with the selection and award criteria;
 - Errors in the application of selection and award criteria;
 - A beneficiary's regular supplier is a member of a bid evaluation committee.
- Other elements and examples which may be indicative of a close relationship with bidders:
 - The same bidder (or a small group of bidders) is invited, with unusual frequency, to submit bids for different contracts
 - An exceptionally high proportion of contracts is awarded to the same bidder (or small group of bidders)
 - Contracts for different types of goods or services are often awarded to one bidder

- The tenderer submits invoices for goods not foreseen in the bid (e.g. additional spare parts invoiced without clear justification, installation costs invoiced although not foreseen in the tender).
- Other documents, aspects and examples that indicate a risk of irregularities:
 - Using photocopies instead of original documents
 - Use of pro forma invoices as supporting documents instead of official invoices
 - Manual erasures on original documents (e.g. numbers changed by hand or with correction ink, etc.)
 - Use of unofficial documents (e.g. headings of documents which do not contain certain official and/or required information, such as the commercial registration number, the company tax number, etc.).

Annex 3 — Expenditure verification report template for grant contracts

HOW TO USE THIS REPORT TEMPLATE: All text highlighted in yellow in this report template only contains instructions and auditors should remove it after use. The auditor must fill in the information to be entered between the brackets <...> (e.g. <coordinator name>).

<To be printed under the AUDITOR header>

Expenditure verification report for a grant contract

<Grant contract name and number>

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Factual findings report

<Contact name(s)>, <Role>

<Name of Coordinator>

<Address>

<(day) of (months) of (year)>

Dear <Contact name(s)>

In accordance with the terms of reference of <(day) of (month) of (year)> which we both agreed upon, we hereby submit our factual findings report (the 'report') pertaining to the annexed financial report, which concerns the period from <(day) of (month) of (year)> to <(day) of (month) of (year)> (annex 1 to this report). You have requested the implementation of certain procedures in relation to your financial report and the grant contract relating to <contract name and number>, the "grant contract".

Objective

We undertake to carry out the verification of expenditure, which implies carrying out certain procedures defined by agreement, regarding the financial report on the grant contract signed between you and Camões, I.P., the 'contracting authority'. The purpose of this verification of expenditure is for us to carry out certain agreed upon procedures, and to submit to you the resulting factual findings report.

Standards and deontological rules

Our commitment was carried out in accordance with:

the International Standard on Related Services (ISRS) 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information, approved by IFAC;

the Code of Ethics for Professional Accountants, published by IFAC. Although the ISRS 4400 standard states that independence is not a requirement for agreed procedural commitments, the contracting authority requires the auditor to comply with the independence requirements set out in the Code of Ethics for Professional Auditors/Reviewers.

Procedures performed

As requested, we have only carried out the procedures set out in Annex 2A to this agreement's Terms of Reference (see Annex 2 to this report).

These procedures were exclusively defined by the contracting authority and were carried out for the sole purpose of assisting the contracting authority in assessing the eligibility of expenses for which you requested reimbursement in the financial report, in accordance with the grant contract's terms and conditions.

Given that the procedures applied by us do not constitute an audit or a review performed in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not provide any guarantees with regards to the financial report attached.

If we had applied additional procedures or carried out an audit or review of the beneficiary's financial statements in accordance with International Standards on Auditing, it is not improbable that other aspects would have come to our attention — which we would then communicate to you.

Sources of information

The report contains the information provided to us by you in response to specific questions and which has been obtained from your accounts and accounting records.

Factual findings

The total expenditure amount which has been the subject of this verification is EUR <xxxxxx>.

The expenditure coverage ratio is <xx %>. This ratio represents the total amount of expenditure verified by us, expressed as a percentage of the total expenditure subject to this expenditure verification. This last amount is equal to the total expenditure amount stated by you in the financial report, whose deduction from the total pre-financing was requested by you under the terms of the grant contract, in accordance with the payment request presented on <(day) of (month) of (year)>.

The details of the factual findings obtained through the procedures we have carried out are set out in Chapter 2 of this report.

Use of this report

This report is intended exclusively for the purposes specified above.

This report has been drawn up for your and the contracting authority's exclusive and confidential use, for the sole purpose of being submitted to the contracting authority for the purposes of the requirements laid down in the grant contract's general Conditions. This report may not be used

by you for any other purposes and may not be made available to third parties.

The contracting authority is not a party to the commitment (terms of reference) entered into between you and ourselves and, therefore, we do not assume a duty of care in relation to the contracting authority, who relies on this expenditure verification report at its own risk and expense. The contracting authority may evaluate for itself the procedures and results reported by us and draws its own conclusions from the factual results.

The contracting authority may disclose this report only to other entities with a right of access to the document, in particular the European Commission.

This report only concerns the financial report specified above and does not cover any of your financial statements.

We remain at your disposal to discuss this report further and would be our pleasure to provide any necessary information or clarification.

Yours sincerely,

Auditor signature *[person, company or both, as appropriate, and in accordance with company policy]*

Name of signatory auditor *[person, company or both, as appropriate]*

Auditor's address *[office responsible for the commitment]*

Signature date <*(day) of (month) of (year)*> *[date the report is signed]*

1 Information on the grant contract

<Chapter 1 must contain a brief description of the action and the grant contract, the coordinator/beneficiary/affiliated entities and key financial/budgetary information (one page maximum).>

2 Procedures applied and factual findings

We applied the following specific procedures set out in Annex 2A to the Terms of Reference (TR) for verifying expenditure under a grant contract.

1. General procedures
2. Procedures for verifying compliance of expenditures with the budget and analytical auditing
3. Procedures for verifying selected expenditure

For this expenditure verification, we applied the expenditure selection rules and the verification principles and criteria, set out in annex 2B (sections 3 and 4) of the TR.

<State any difficulties or problems encountered in this section).>

The total expenditure verified by us amounts to EUR <xxx>, summarised in the table below. The overall expenditure coverage ratio is <xx %>.

<Provide a summary description of the financial report in Annex 1 including the total amount of expenses reported by the Coordinator, the total amount of expenses verified and the percentage of expenses covered, for each item (or sub-item).>

We verified the selected expenditure, as explained in the summary overview above, and we carried out the verification procedures specified in points 3.1 to 3.7 of Annex 2A of the TR for each selected expenditure item. We report below on the factual results that we have ascertained through the application of these procedures.

1. General procedures

1.1 Grant contract's terms and conditions

We have studied and understood the grant contract's terms and conditions, in accordance with the guidelines in Annex 2B (section 2) of the TR.

<Describe factual results and indicate errors and exceptions. **Procedures 1.1 to 1.6 of Annex 2A. In the absence of factual findings, a statement must be made to that effect, for each procedure, as follows: "This procedure does not give rise to any factual remarks".>**

1.2 Financial report on the grant contract

1.3 Accounting and record keeping rules

1.4 Reconciliation of the financial report with the beneficiary's accounting system and records

1.5 Exchange rates

2. Procedures for verifying compliance of expenditures with the budget and analytical auditing

2.1 Grant contract budget

2.2 Changes to the grant contract budget

<Describe factual results and indicate errors and exceptions. Procedures 2.1 to 2.2 of Annex 2A. In the absence of factual findings, a statement must be made to that effect, for each procedure, as follows: "This procedure does not give rise to any factual remarks".>

3. Procedures for verifying selected expenditure

The report describes in further detail below all exceptions determined through the procedures specified in paragraphs 3.1 to 3.7 of Annex 2A to the TR, carried out in this expenditure verification, to the extent that those procedures were actually applied to the selected expenditure item.

We quantified the amount of verification exceptions detected and their potential impact on Camões, I.P.'s contribution, in case this contracting authority declares the expenditure items in question to be ineligible (if applicable, by taking into account the percentage financed by Camões, I.P. and the impact on indirect expenditure - e.g. administrative expenditure, general expenditure). We have included all exceptions detected in the report, even those where the amount or potential impact on the EU contribution cannot be quantified.

<Specify which amounts/expenditure items for which exceptions were found (deviations from facts and criteria), as well as the nature of the exception — that is, which specific conditions described in items 3.1 to 3.7 of annex 2A of the TR were not observed. Quantify the amount of verification exceptions found and their potential impact on Camões, I.P., in the event this contracting authority declares the expenditure items in question to be ineligible.>

3.1 Eligibility of costs

We checked the eligibility criteria set out in procedure 3.1 of Annex 2A of the TR for this expenditure verification, for each selected expenditure item.

<Describe factual results and indicate errors and exceptions. Procedure 3.1 of Annex 2A: eligibility of costs and eligibility criteria (1) to (9). Example: we found that expenditure in the amount of EUR 6 500, included in sub-item 3.2 (furniture and computer equipment) of the financial report, were not eligible. Expenditure in the amount of EUR 2 000 was incurred outside the implementation period. No supporting documents were provided for three transactions totalling EUR 1 200. The rules for awarding contracts were not observed for the purchase of computers in the amount of EUR 3 300. (Note: Relevant details such as accounting record or document references must be included).>

3.2 Eligible direct costs

3.3 Reserve for contingencies

3.4 Indirect costs

3.5 Contributions in kind

3.6 Ineligible costs

3.7 Revenue from the action

<Describe factual results and indicate errors and exceptions. Procedures 3.2 to 3.7 of Annex 2A>

Annex 1 Financial report on the grant contract

<Annex 1 must include the beneficiary's financial report for the grant contract under review. The financial report must be **dated and the period covered must be specified.**>

Annex 2 Terms of reference for expenditure verification

<Annex 2 must include a **signed** and **dated** copy of the reference conditions for the verification of expenditure of this grant contract, including **Annex 1** (information on the grant contract) and **Annex 2A** (list of specific **procedures** to be carried out).>