



Funded by
the European Union

EU4Environment
Water and Data in Eastern Partner Countries

EU4Environment – Water Resources and Environmental Data

TERMS OF REFERENCES FOR AUDITING THE PART OF THE PROJECT IMPLEMENTED BY FRANCE

19 AUGUST 2022

1. Financing

Mother contract:

European Union (ENI/2021/424-550)

Co-financing by Austria (Austrian Development Agency)

Austrian Development Agency (ADA) contract with OiEau to be audited (ADA Identification Number: 6552-00/2022-SUB01) co-financed by France (Artois Picardy Water Agency)

2. Procedure

Simplified procedure according to EU PRAG¹

3. Contracting Authority

International Office for Water (OiEau) - France

4. Nature of contract

Service contract

5. Time period of implementation

September 2022 – October 2024 (subject to possible evolution)

6. Contract amount (optional)

Max. amount: 15 000 EUR

¹ Practical Guide to Contract Procedures for EU External Actions

7. Specification

I. Background and Objectives

The Programme “EU4Environment – Water resources and Environmental data” (hereinafter - the Programme) aims to operationalise several key mechanisms to preserve natural resources, thus improving people’s wellbeing in the partner countries, while enabling countries’ green growth in line with the European Green Deal and a post-COVID-19 green recovery. This will contribute towards longer-term environmental, climatic, and socio-economic resilience, and improved human health and wellbeing, as well as the achievement of the Sustainable Development Goals (SDGs).

The Programme’s specific objectives are:

- Specific Objective 1 “Water resources management”: Water policies and practices support more sustainable use of freshwater resources and help reduce the adverse impacts of human activities on water quality and ecosystems.
- Specific Objective 2 “Environmental statistics and open data”: The use of sound environmental statistics by the partner countries is extended and improved, and better availability of policy-relevant data to decision-makers and citizens is ensured.

The Programme, co-financed by the European Union, is implemented in close cooperation and coordination with the Implementing Partners: three Member State agencies: Umweltbundesamt GmbH (also called “UBA” or “Environment Agency Austria”), Austrian Development Agency (ADA) and International Office for Water (OiEau, France) as well as two international organisations (OECD and UNECE).

The present document and the Annexes are the terms of reference (‘ToR’) under which the Reporting Entity agrees to engage the Expenditure Verifier to perform a verification of expenditure reported by the Reporting Entity (OiEau).

These ToR will become an integral part of the contract concluded between the Reporting Entity and the Expenditure Verifier or Auditor.

II. Scope of work

The Expenditure Verifier is expected

- to carry out the agreed-upon procedures and
- to issue 3 reports based on the offer in line with the relevant standards (3 reporting periods)

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

The audit apply to expenditure verifications of the Contract(s) and Financial Reports contracted by the Reporting Entity under ADA contract mentioned above and in Annex 1.

The mission includes possible contact with ADA’s auditor for its main contract with EU.

Conditions for Eligibility of Expenditure

The conditions for eligibility are stipulated in the Contracts which are mentioned in section 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 Reporting Entity on request.

The Expenditure Verifier will inform the Reporting Entity 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.

III. Standards and Ethics

The Expenditure Verifier shall undertake this engagement in accordance with:

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

Although ISRS 4400 (Revised) provides that independence is not a requirement for agreed-upon procedures engagements, it is required 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.

IV. Requirements for the Expenditure Verifier

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 organization 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).

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.

Subcontracting

The Expenditure Verifier will not subcontract without prior written authorization from the Reporting Entity.

Qualifications, Experience and Team Composition

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 projects comparable in size and complexity to the project subject to the expenditure verification. In addition, the verification team as a 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 France
- experience with audits/verifications of EU funded projects
- sufficient knowledge of relevant laws, regulations and rules in the country concerned. This includes but is not limited to the company law, taxation, social security and labour regulations, accounting and reporting.
- fluency in French and English
- a good knowledge of procurement regulations

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.

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 of 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 of professional experience in public audit practice.

Curricula Vitae (CVs)

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

V. Verification Process and Methodology

Preparation of the Verification

The Expenditure Verifier shall contact the respective staff of the Reporting Entity as soon as possible (and no later than 7 calendar days) after the signing of the contract between the Reporting Entity and the Expenditure Verifier, 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.

Preparatory Meeting, Fieldwork, Desk Review

The Reporting Entity plans a preparatory meeting with the Expenditure Verifier which will be held by conference call or at the project office.

The field work or desk review shall commence as soon as possible and not later than ten (10) calendar days after the date of availability of the Financial Report (i.e. financial report, supporting documents and other relevant information).

Engagement Context, Materiality, Risk Analysis, Sampling

- The Expenditure Verifier's procedures should include that:
 1. the project is implemented in accordance with the principles of economy, efficiency and expediency

2. proper book-keeping and sound financial management have been maintained by the Grant Recipient, the related expenditure practices are correct, Generally Accepted Accounting Standards have been met and an adequate, effective Internal control system exists
3. the project funds have been used in conformity with the Grant Agreement, in particular:
 - a. the project funds were spent exclusively for project related expenses and solely for the purpose intended;
 - b. costs have been incurred during the implementation period;
 - c. costs meet the eligibility criteria stipulated in the Grant Agreement and its annexes
4. the financial report presented by the Grant Recipient presents the actual expenditure incurred and the revenue received for the project for the respective reporting period accurately and in conformity with the Grant Agreement and annexes thereto
5. the project expenditures are allocated to the last approved (allocated) project budget
6. individual expenditures made from grant funds are clear evident from the project bookkeeping and are assigned to the correct budgeted items as specified in the approved Grant Application.
7. it is plausible that the expenditure for a selected item was necessary for the implementation of the project and that it had to be incurred for the contracted activities of the project by examining the nature of the expenditure with supporting documents
8. where expenditure was apportioned, the applied allocation key was based on sufficient, appropriate and verifiable underlying information
9. over expenditure, if any, lies within the thresholds stipulated in the Grant Agreement
10. the projects costs claimed are net cost and free of any VAT; if expenses contain Value Added Tax (VAT), the Auditor shall certify that the Grant Recipient is not exempt from VAT and cannot reclaim it either
11. costs declared in the Financial Statement are justified by the relevant supporting documents in form of genuine and original invoices, receipts and vouchers bearing all necessary information; these original supporting documents are clearly associated with the project and the project's time frame
12. all expenditures claimed under the financial report have been settled and paid for, no outstanding invoices or accrued costs have been included in the financial report
13. all necessary supporting documents for employees' costs are available and these costs are reported correctly. Specifically, the auditor verifies
 - a. the existence of employment contracts in accordance with the relevant national legislation
 - b. that the reported employees' costs are calculated correctly in accordance with the approved Budget and respective provisions of the General Terms and Conditions
 - c. that only actually paid employees' costs have been claimed under the Financial Report and this has been evidenced by the respective supporting documents
14. indirect costs², if foreseen in the budget, have been calculated properly
15. accrued interest has been declared

² Indirect costs (also named "Projektbegleitgelt, (PBE)" are calculated proportionally to eligible direct costs and do not require further supporting documents. Audit costs are part of the indirect costs.

16. conversion of currency has been calculated correctly, in particularly the conversion into EUR has been calculated in accordance with the General Terms and Conditions and is evidenced by currency exchange receipts and/or respective bank account statements
17. usage of budget funds under “unforeseen” or “contingency reserve” has been approved by ADA
18. revenues foreseen in the financial plan were not realized
19. other revenues originally not foreseen in the financial plan were registered
20. applicable procurement regulations of the General Terms and Conditions have been complied with
21. applicable provisions of social and labour laws in all countries where the project is being implemented have been complied with
22. applicable provisions of the company and tax laws and regulations have been complied with
23. regulations on travel expenses have been followed
24. all assets and equipment have been incorporated in the asset list
25. assets and equipment have been used for the project purposes
26. depreciation on investment goods that continue to be available to the Grant Recipient after the end of the term of the Agreement has been properly calculated, if applicable
27. equipment or services produced or provided by the Recipient itself have been charged at cost only (without any markup), if applicable
28. project vehicles, if any, have been used according to the standards set out in the General Terms and Conditions of the Grant Agreement
29. sub-grants foreseen in the project document have been provided to third parties and have been properly accounted for based on actual costs
30. applicable visibility regulations have been adhered to
31. requests and recommendations from the previous expenditure verifications regarding any project relevant matters have been considered and implemented

- determining the sample size

The Auditor ensures that the Expenditure Coverage Ratio (ECR)³ is at least 65%.

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 described in the Verification Report.

³ This ratio represents the total amount of expenditure to be verified expressed as a percentage of the total expenditure which has been subject of this audit

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.

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.

Complementary Letter

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

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 findings, and evidence that the work was carried out in accordance with ISRS 4400 (Revised) and these ToR.

VI. Reporting

Structure and Content of the Report

The Auditor shall invalidate the original receipts and produce an Expenditure Verification Report, that should describe the purpose, the agreed-upon procedures and the findings in enough details. The report should contain at least the following information:

1. Title
2. Addressee
3. Brief description of the project and partner(s)
4. Period covered by the report
5. Total amount of budgeted and actual incomes
6. Complete list of project funds transferred, including donors' names, dates and exchange rates
7. Total amount of actual expenditures verified
8. Expenditure Coverage Ratio
9. Objectives, Scope and Description of the procedures performed
10. Findings from the expenditure verification
11. Recommendations, if applicable
12. Follow up of previous recommendations, if applicable
13. Other relevant matters

14. Date of the report

15. Auditor's address and signature

The Report shall also comprise the following **annexes**:

1. Financial Statement: overall calculation with comparison of actual expenditures vs. approved budget certified by the company's formal signature (stamp and signature) and by the formal signature (stamp and signature) of the auditor.

2. cash flow statement

3. a detailed voucher list classified according to the relevant budget lines

4. bank account statements

5. list of payable invoices, if any

6. in case ineligible costs are detected, a list of respective vouchers

7. asset list

8. list of procurement contracts awarded during the reporting period

9. list of grant contracts awarded during the reporting periods, if applicable

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 fifteen (15) working days of the conclusion of the field work a draft report to the Reporting Entity for comments to be received within eight (8) working days. This delay expired the Expenditure Verifier will provide the final report to the Reporting Entity within five (5) working days from the receipt of the comments (if any).

Expenditure Verification Findings and Recommendations

The findings shall be reported in accordance with the formats and criteria specified in the Expenditure Verification Report mentioned above. 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.

Debriefing Meeting with the Reporting Entity

The Reporting Entity foresees a meeting with the Expenditure Verifier following receipt of the pre-final report. This meeting will be held by conference call or at the project office.

VII. Schedule & implementation modality

Schedule

Duration of the assignment is expected be up to October 2024 and is expected to start from September 2022.

The assignment is structured by the auditing of 3 reporting periods:

1) 01/09/2021 - 31/08/2022

2) 01/09/2022 – 31/08/2023

3) 01/09/2023 – 31/08/2024

Contact details:

Mr Pierre Henry de Villeneuve, International Office for Water, p.henry-de-villeneuve@oieau.fr

Mr Philippe Seguin, International Office for Water, p.seguin@oieau.fr

VIII. Participation to the tender

Interested parties (individual and legal persons) are invited to inquire the full tender dossier containing instructions and further information about the tender procedure from Ms. Ilke CICEKOGLU, Project Assistant, International Office for Water (OiEau) and Mr Pierre HENRY DE VILLENEUVE, Project Manager, International Office for Water (OiEau).

(email address : i.cicekoglu@oieau.fr)

(email address : p.henry-de-villeneuve@oieau.fr)

Deadline for submission of the technical and financial offer is **5 September 2022, 18:00 CET**.

IX. Annexes

Are presented consecutively below the 2 following annexes:

Annex 1 - Engagement Context / Key Information

Annex 2 – Guidelines for Risk Analysis and Verification Procedures

Annex 1: Engagement Context / Key Information

Contract³ and report summary

Contract number / IT system:	EU Identification Number: ENI/2021/424-550 ADA Identification Number: 6552-00/2022-SUB01
Contract title:	French Component of the Action EU4Environment – Water Resources and Environmental Data
Contract type:	Grant Agreement
Financial Reports subject to verification:	1) 01/09/2021 - 31/08/2022 2) 01/09/2022 – 31/08/2023 3) 01/09/2023 – 31/08/2024
Reporting Entity:	Office International de l'Eau
Other Spending Entities ⁴	
Country:	France
Commission Service in charge of the Contract:	EU Commission – DG NEAR

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

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

A Logistics		
Issue	Question	Reply
Locations	1. Where do the Reporting Entity and Other Spending Entities retain the accounting records?	Office International de l'Eau / International Office for Water - Place Sophie Laffitte, 06902 Sophia-Antipolis (France)
	2. Where do the Reporting Entity and Other Spending Entities retain the original supporting documents?	Office International de l'Eau / International Office for Water - Place Sophie Laffitte, 06902 Sophia-Antipolis
	3. Where were contractual activities carried out?	Armenia, Azerbaijan, Georgia, Moldova, Ukraine
	4. Where are key project staff available to provide information and explanations?	Office International de l'Eau / International Office for Water - Place Sophie Laffitte, 06902 Sophia-Antipolis
Languages	5. Which is the contractual language?	English
	6. Which is the language of the accounting records?	English
	7. Which are the languages of supporting documents?	English
	8. Which languages are spoken by key project staff?	English, French

B Contractual Conditions		
Contract amount	9. What is the total amount of the contract?	EUR 3,900,600
EC contribution	10. What is the amount of the EC contribution?	EUR 3,511,312 The EC contribution is transferred to ADA then to OiEau
Other contributions	11. Which are the other sources of funding (including the Reporting Entity)?	EUR 3,750,600 Funded by ADA (EUR 3,511,312 from EU + EUR 239,288 from ADA)
		EUR 150,000 funded by Agence de l'Eau Artois Picardie

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?	[300] transactions per year
	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?	1) fees, 2) operating expenditures, 3) per diem Many transactions with small value
	14. To what extent have Project transactions been carried out in cash?	Low
	15. In which currencies has expenditure been incurred?	Mainly EUR Sometimes in local currency (AM, AZ, GE, MD, UA)

	16. What is the reporting currency?	EUR
	17. How many other Financial Reports have already been presented by the Reporting Entity under this contract?	0

D Procurement

Procurement	18. How many procurement procedures have been undertaken during the period covered by the Financial Report?	20
	19. Was the EC involved in any of the procurement procedures referred to in question 18 (e.g. ex-ante verifications)?	Yes
	20. Are works done and supplies delivered under the contract located centrally or are they dispersed?	distributed among 5 countries

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?	50 EC-funded projects already done and audited
	22. How many of the previously presented Financial Reports (if any) have been subject to audit/verification by external consultants contracted by the Reporting Entity?	50
	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?	No
	24. Have any significant findings been raised under the exercises referred to in questions 22 and 23? If so, what are they?	No
	25. Have any instances of fraud or irregularities been previously identified in dealings with the particular Entity?	No

F Contact Details

Reporting Entity: Office International de l'Eau / International Office for Water (OiEau)

Address	Place Sophie Laffitte 06902 Sophia Antipolis	Country	France
Phone	+33492945800	Fax	N/A
Website	https://www.oieau.org/		
Key contact	Ms Ike Cicekoglu (i.cicekoglu@oieau.fr)		

Annex: Contract and riders. The complete Grant Agreement ADA / OiEau is available on request.

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 (Grant beneficiaries) 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*

For the expenditure items concerned, the Reporting Entity has complied with the contractual requirements for procurement.

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).

This section must be adjusted if the grant recipient provides expenditure verification report that is covered by indirect costs of the recipient.

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 with the contractual conditions and its use authorized by the European Commission.

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.