

Annex H Model Report for Expenditure Verification of an ALF Grant Contract

HOW TO USE THIS MODEL REPORT: All text highlighted in yellow in this model report is for instruction only and auditors should remove it after use. Information requested in pointed brackets <.....> (e.g. <name of the Beneficiary>) must be filled in by the auditor.

<To be printed on AUDITOR'S letterhead>

Report for an Expenditure Verification of a Grant Contract

ALF/CFP/2020/ICD/XXX

TABLE OF CONTENTS

Report of Factual Findings

- 1 Information about the Grant Contract**
 - 2 Procedures performed and Factual Findings**
 - Annex 1 Financial report for the Grant Contract**
 - Annex 2 Terms of Referenec Expenditure Verification**
-

Report of Factual Findings

<Name of contact person(s)>, < Position>

< name of the Beneficiary>

<Address>

<dd Month yyyy>

Dear <Name of contact person(s)>

In accordance with the terms of reference dated <dd Month yyyy> that you agreed with us, we provide our Report of Factual Findings ('the Report'), with respect to the accompanying Financial Report for the period covering <dd Month yyyy — dd Month yyyy> (Annex 1 of this Report). You requested certain procedures to be carried out in connection with your Financial Report and the Anna Lindh Foundation (ALF) financed Grant Contract concerning ALF/CFP/2020/ICD/XXX, the 'Grant Contract'.

Objective

Our engagement was an expenditure verification, which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Grant Contract between you and ALF Secretariat, as the 'Contracting Authority'. The objective of this expenditure verification is for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

Standards and Ethics

Our engagement was undertaken in accordance with:

- International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants ('IFAC');
- the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*;

Procedures performed

As requested, we have only performed the procedures listed in Annex 2A of the terms of reference for this engagement (see Annex 2 of this Report).

These procedures have been determined solely by the Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditure claimed by you in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Grant Contract.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Sources of Information

The Report sets out information provided to us by you in response to specific questions or as obtained and extracted from your accounts and records.

Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to EUR <total expenditure amount>.

The Expenditure Coverage Ratio is <applicable percentage> % (at least 85 %). This ratio represents the total amount of expenditure verified by us, expressed as a percentage of the total expenditure which is the subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing under the Grant Contract as per your Payment Request of <dd Month yyyy>.

We report the details of our factual findings which result from the procedures that we performed in Chapter 2 of this Report.

Use of this Report

This Report is solely for the purpose set forth above under objective.

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the Grant Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority is not a party to the agreement (the terms of reference) between you and us and therefore we do not owe or assume a duty of care to the Contracting Authority, who may rely upon this expenditure verification report at its own risk and discretion. The Contracting Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.

The Contracting Authority may only disclose this Report to others who have regulatory rights of access to it, in particular the European Commission, the European Anti-Fraud Office and the European Court of Auditors.

This Report relates only to the Financial Report specified above and does not extend to any of your financial statements.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Yours sincerely,

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

Name of Auditor signing [person or firm or both, as appropriate]

Auditor's address [office having responsibility for the engagement]

Date of signature <dd Month yyyy> [date when the final report is signed]

1 Information about the Grant Contract

<Brief description of the Grant Contract and the Project, the Beneficiary and Partners>

2 Procedures performed and factual findings

We have performed the following specific procedures listed in Annex 2A of the terms of reference for the expenditure verification of the Grant Contract ('ToR'):

1. General procedures
2. Procedures to verify conformity of expenditure with the budget and analytical review

3. Procedures to verify selected expenditure

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage as set out in Annex 2B (sections 3 and 4) of the ToR for this expenditure verification.

<Explain here any difficulties or problems encountered>

The total expenditure verified by us amounts to EUR <total expenditure amount> and is summarised in the table below. The overall Expenditure Coverage Ratio is <applicable percentage> % (at least 85%).

<Provide here a summary table of the Financial Report in Annex 1, presenting for each (sub) heading the total expenditure amount reported by the Beneficiary, the total expenditure amount verified and the percentage of expenditure covered.>

We have verified the selected expenditure as shown in the above summary table and we have carried out, for each expenditure item selected, the verification procedures specified at point 3.1 to 3.7 of Annex 2A of the ToR for this expenditure verification. We report our factual findings resulting from these procedures below.

1. General Procedures

1.1 Terms and Conditions of the Grant Contract

We have obtained an understanding of the terms and conditions of this Grant Contract in accordance with the guidelines in Annex 2B (section 2) of the ToR.

<Describe factual findings and specify errors and exceptions. Procedures 1.1–1.6 in Annex 2A. If there are no factual findings, this should be explicitly stated as follows for each procedure: 'No factual findings have arisen from this procedure'.>

1.2 Financial Report for the Grant Contract

1.3 Rules for Accounting and Record Keeping

1.4 Reconciling the Financial Report to the Beneficiary's Accounting System and Records

1.5 Exchange Rates

1.6 Simplified Cost Options

2. Procedures to verify conformity of Expenditure with the Budget and Analytical Review

<Describe factual findings and specify errors and exceptions. Procedures 2.1–2.2 in Annex 2A. If there are no factual findings this should be explicitly stated as follows for each procedure: 'No factual findings have arisen from this procedure'.>

2.1 Budget of the Grant Contract

2.2 Amendments to the Budget of the Grant Contract

3 Procedures to verify selected Expenditure

We have reported further below all the exceptions resulting from the verification procedures specified at point 3.1–3.7 of Annex 2A of the ToR for this expenditure verification insofar as these procedures applied to the selected expenditure item.

We have quantified the amount of the verification exceptions found and the potential impact on the ALF contribution, should the Contracting Authority declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of funding of the Contracting Authority and the impact on indirect expenditure (e.g. administrative costs, overheads)). We have reported all the exceptions found, including the ones for which we cannot quantify the amount or the potential impact on the ALF contribution.

<Specify the expenditure amounts / items for which exceptions (= deviations between facts and criteria) were found, and the nature of the exception — this means which of the specific condition(s) described in point 3.1–3.7 of Annex 2A of the ToR were not respected. Quantify the amount of verification exceptions found and the potential impact on the ALF contribution, should the Anna Lindh Foundation declare the expenditure item(s) concerned ineligible.>

3.1 Eligibility of Costs

We have verified, for each expenditure item selected, the eligibility criteria set out at procedure 3.1 in Annex 2A of the ToR for this expenditure verification.

<Describe factual findings and specify errors and exceptions. Procedure 3.1 in Annex 2A: eligibility of costs and the eligibility criteria (1) to (11). Example: we found that an expenditure amount of ... included in subheading was not eligible. Expenditure incurred outside the implementation period. Supporting evidence was not available.>

3.2 Eligible Direct Costs (Article 14.2)

3.3 Contingency Reserve (Article 14.7)

3.4 Indirect Costs (Article 14.8)

3.5 In-kind contributions Article 14.9)

3.6 Non-eligible costs (Article 14.11)

3.7 Revenues of the Project

<Describe factual findings and specify errors and exceptions. Procedures 3.2–3.7 in Annex 2A.>

Annex 1 Financial Report for the Grant Contract

Annex 2 Terms of Reference Expenditure Verification

Separate Notes:

The TOR of the audit and related annexes will be provided along with the contract.

The Auditor should meet at least one of the following conditions:

- The Auditor and/or the firm 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 Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not a member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in these ToR.
- The Auditor and/or the firm 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.