



**EUROPEAN COMMISSION**

Directorate-General for Communications Networks, Content and Technology

**MEDIA POLICY**

## **ANNEX VII (FOR MULTI BENEFICIARIES MODEL GA)**

### **MODEL TERMS OF REFERENCE FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS**

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***To be printed on letterhead paper of the Beneficiary/Affiliated entity***

## **Terms of Reference ('ToR') for the Certificate on the Financial Statements ('CFS') of a European Union (DG CNECT) financed Action Grant Agreement**

The following are the Terms of Reference on which *<insert name of the Beneficiary >* ('the Beneficiary'); *<insert name of the Affiliated Entity>* ('the Affiliated entity').

agrees to engage

*<name of the audit firm>* 'the Auditor'

to produce an independent report of factual findings ('the Report') concerning the Financial Statement(s) and the underlying accounts<sup>1</sup> drawn up by 'the Beneficiary'/'the Affiliated entity' in connection with a European Union, represented by the European Commission ('the Commission'), financed grant Agreement concerning *<title and number of the Grant Agreement>* (the 'Grant Agreement'),

and

to produce a Certificate on the Financial Statements ('CFS') referred to in Articles I.4.3 (c) or I.4.4.(d) of the 'Grant Agreement' based on the compulsory reporting template stipulated by the Commission.

The Commission is mentioned as a signatory of the 'Grant Agreement' with 'the Beneficiary' only. The European Union is not a party to this engagement.

The report signed in accordance with the present 'ToR' also corresponds with the provision of article 203.4 of the Financial Regulation<sup>2</sup> by which the authorising officer responsible may require a certificate on the financial statements in support to interim payments or payment of balances of any amounts .

### **1 Responsibilities of the Parties to the Engagement**

**The Beneficiary** refers to the organisation that is receiving the grant funding and that has signed the Grant Agreement with the Commission.

**The Affiliated Entity**<sup>3</sup> refers to the organisation that has a *structural link* with a beneficiary, in particular a *legal or capital link*.

#### **The Beneficiary/the affiliated entity:**

- must draw up the Financial Statement(s) for the action financed by the Agreement in compliance with the obligations under the Agreement. The Financial Statement(s) must be drawn up according to 'the Beneficiary'/'the Affiliated entity' accounting and book-keeping system and the underlying accounts and records;
- must send the Financial Statement(s) to the Auditor;
- is responsible and liable for the accuracy of the Financial Statement(s);
- is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures. It must provide the Auditor with a written representation letter supporting these statements. The written representation letter must state the period covered by the statements and must be dated;

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<sup>1</sup> Financial Statement in this context refers solely to Annex VI by which the 'the Beneficiary'/'the Affiliated entity' claims costs under the Grant Agreement.

<sup>2</sup> Regulation (EU,Euratom) 2018/1046-18 July 2018

<sup>3</sup> Article 187 of Financial Regulation (FR 2018)

- accepts that the Auditor cannot carry out the Procedures unless it is given full access to the ‘the Beneficiary’/‘the Affiliated entity’ staff and accounting as well as any other relevant records and documentation.

**The Auditor** refers to the Auditor who is responsible for producing the ‘CFS’ as specified in these ‘ToR’, and for submitting a report of factual findings to ‘the Beneficiary’/‘the Affiliated entity’.

- *[Option 1 by default: is qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC 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 or similar national regulations].*
- *[Option 2 if the Beneficiary or Affiliated Entity has an independent Public Officer: is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the Beneficiary].*
- *[Option 3 if the Beneficiary or Affiliated Entity is an international organisation: is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation].*

#### **The Auditor:**

- must be independent from ‘the Beneficiary’/‘the Affiliated entity’ in particular, it must not have been involved in preparing ‘the Beneficiary’/‘the Affiliated entity’ Financial Statement(s);
- must plan work so that the Procedures may be carried out and the Findings may be assessed;
- must adhere to the Procedures laid down and the compulsory report format;
- must carry out the engagement in accordance with this ‘ToR’;
- must document matters which are important to support the Report;
- must base its Report on the evidence gathered;
- must submit the Report to ‘the Beneficiary’/‘the Affiliated entity’.

The Commission sets out the Procedures to be carried out by the Auditor. The Auditor is not responsible for their suitability or pertinence. As this engagement is not an assurance engagement, the Auditor does not provide an audit opinion or a statement of assurance.

## **2 Subject of the Engagement**

The subject of this engagement is the ~~<interim or final; delete what is not applicable>~~ Financial Statement(s) in connection with the Grant Agreement for the period covering ~~<dd Month yyyy to dd Month yyyy>~~. The information, both financial and non-financial, which is subject to verification by the Auditor, is all information which makes it possible to verify that the expenditure claimed by ‘the Beneficiary’/‘the Affiliated entity’ in the Financial Report has occurred, and is accurate and eligible.

Annex 1 to these ‘ToR’ contains an overview of key information about the Grant Agreement and the action concerned.

## **3 Reason for the Engagement**

‘The Beneficiary’/‘the Affiliated entity’ is required to submit to the Commission the ‘CFS’ produced by an external auditor in support of the payment requested by ‘the Beneficiary’/‘the Affiliated entity’ under Article I.4.3(c) and I.4.4(d) of the Special Conditions of the Grant Agreement. The Authorising Officer of the Commission requires this report as he makes the payment of the related funding for the costs claimed by ‘the Beneficiary’/‘the Affiliated entity’ conditional on the factual findings of this report.

**The ‘CFS’ is composed of two separate documents:**

**-the Terms of Reference (‘ToR’)** to be signed by ‘the Beneficiary’/‘the Affiliated entity’ and the Auditor;

**-the auditor's Independent Report of Factual Findings (‘the Report’)** to be issued on the Auditor's letterhead, dated, stamped and signed by the Auditor ( or the competent public officer) **which includes:**

**‘the Procedures’** (Scope of Work – Procedures to be performed- **Annex 2a**)

**and**

**-the ‘standard factual findings report’** (Detailed agreed-upon procedures and standard factual findings to be confirmed by the Auditor **-Annex 2b**) to be confirmed by the Auditor.

If the CFS must be included in the final report according to Article I.4.3(c) and/or I.4.4(d) of the Grant Agreement, the request for interim/final payment relating to the Grant Agreement cannot be made without the CFS. However, the payment for reimbursement of costs covered by the CFS does not preclude the Commission, the European Anti-Fraud Office (OLAF) and the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article II.27 of the Agreement.

#### **4 Engagement Type and Objective**

This constitutes an engagement to perform specific agreed-upon procedures regarding an independent report of factual findings on Financial Statement(s) under the Grant Agreement. The objective of the ‘CFS’ is for the Auditor to verify that the costs claimed by ‘the Beneficiary’/‘the Affiliated entity’ in the Financial Statement for the action financed by the Grant Agreement has occurred (‘reality’), is accurate (‘exact’) and eligible and to submit to ‘the Beneficiary’/‘the Affiliated entity’ a report of factual findings with regard to the detailed agreed-upon procedures performed. Eligibility means that the funds provided by the grant have been spent in accordance with the terms and conditions of the Grant Agreement.

As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The Commission derives its assurance by drawing its own conclusions from the factual findings reported by the Auditor on the Financial Report and the payment request of ‘the Beneficiary’/‘the Affiliated entity’ relating thereto.

The Auditor's Report must state that there is no conflict of interest in establishing this Report between the Auditor and ‘the Beneficiary’/‘the Affiliated entity’ and must specify-if the service is invoiced- the total fee paid to the Auditor for providing the Report.

#### **5 Scope of Work**

##### ***5.1 The Auditor shall undertake this engagement in accordance with these ‘ToR’ and:***

- 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;
- in compliance with 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 Commission requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

## 5.2 The Terms and Conditions of the Grant Agreement

The Auditor verifies that the funds provided by the grant were spent in accordance with the terms and conditions as required by the Grant Agreement.

## 5.3 Planning, procedures, documentation and evidence

The Auditor should plan the work so that the procedures can be effectively performed. For this purpose he performs the procedures specified in Annex 2 of these ‘ToR’ ( 2a-‘Scope of Work – Procedures to be performed’) and 2b “Detailed agreed-upon procedures and standard factual findings to be confirmed by the Auditor”) and he uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor should document 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 Reporting

The **report of factual findings**, which **compulsory reporting template** is attached to this ‘ToR’, (**Annex 2b**) should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail in order to enable ‘the Beneficiary’/‘the Affiliated entity’ and the Commission to understand the nature and extent of the procedures performed by the Auditor. The auditor should use the reporting formats of Annex 2b of these ‘ToR’.

The Report should be written in the language indicated in Article I.4.7 of the Grant Agreement. In accordance with Article II.27 of the Grant Agreement, the European Commission, the European Anti-Fraud Office and the Court of Auditors have the right to audit any work carried out under the project for which costs are claimed from the **European Union** budget. This includes the work related to this engagement. The Auditor must provide access to all working papers (e.g. recalculation of hourly rates, verification of the time declared for the action) related to this assignment if the Commission, the European Anti-Fraud Office or the European Court of Auditors requests them.

## 7 Timing

The Report must be provided by [dd Month yyyy].

## 8 Other Terms

*[ ‘The Beneficiary’/‘the Affiliated entity’ and the Auditor can use this section to agree other specific terms such as Auditor’s fees, out of pocket expenses, liability, applicable law, etc. those specific terms must not contradict the terms specified above.]*

<p>[legal name of the audit firm]</p> <p>[name &amp; function of authorised representative]</p> <p>&lt;dd Month yyyy&gt;</p> <p>&lt;Signature of the Auditor&gt;</p>	<p>[legal name of ‘The Beneficiary’/ ‘the Affiliated entity’]</p> <p>[name &amp; function of authorised representative]</p> <p>&lt;dd Month yyyy&gt;</p> <p>&lt;Signature of “the Beneficiary” &gt;</p>
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**Annex 1****Information about the Financial Statements**

**[The table below should be completed by the Beneficiary and be attached as Annex 1 to the Terms of Reference for use by the Auditor.]**

<b>Information about the Subject of the Expenditure Verification</b>	
Reference number and date of the Grant Agreement	<Commission's reference of the Grant Agreement>
Grant Agreement title	<Title of the Grant Agreement>
Beneficiary/Affiliated Entity	<Full name and address of “the Beneficiary” as per the Grant Agreement>
Start date of the Action	<dd Month yyyy>
End date of the Action	<dd Month yyyy>
Total eligible costs of the Action	<Amount in Art. I.3 of the Special Conditions of the Grant Agreement and estimated budget Annex III>
Grant maximum amount	<Amount in Art. I.3. of the Special Conditions of the Grant Agreement>
Total amount received to date by the Beneficiary from Commission	<Total amount received as per dd.mm.yyyy>
Total amount of the payment request	<provide the total amount requested for payment as per payment arrangements in Article I.4 of the Special Conditions for Grant Agreements>
Auditor	<Name and address of the audit firm and names/positions of the auditors>

## Independent Report of Factual Findings on costs declared under an EU Financed Action Grant Agreement

**To be printed on letterhead paper of the Auditor**

<Name of contact person(s)>, <Position>  
<Beneficiary's name> Affiliated Entity name>  
<address>

<dd Month yyyy>

Dear <Name of contact person(s)>,

In accordance with our contract dated <dd Month yyyy> with <name of the Beneficiary/ Name of affiliated Entity> and the Terms of Reference 'ToR' attached thereto (Annex 1 of this Report), we provide our Independent Report of Factual Findings ("the Report"), as specified below.

### Objective

We [legal name of the audit firm] "the Auditor", established in [full address/city/state/province/country] represented for signature of this Report by [name and function of an authorised representative] have performed agreed-upon procedures regarding the cost declared in the Financial Statement(s)<sup>4</sup> of 'the Beneficiary'/'the Affiliated entity' to which this Report is attached (Annex 2 of the Report), and which is to be presented to the European Commission under grant agreement [EU or Euratom grant agreement reference: title, acronym, number] for the following period(s) [insert period(s) covered by the Financial Statement(s) per Activity] and for the following amount [insert amount in EUR]. This engagement involved performing certain specified procedures (Annex 3 of the Report), the results of which the European Commission uses to draw conclusions as to the eligibility of the costs claimed.

### The Report

Our engagement was carried out in accordance with the terms of reference (**'the ToR'-annex I** appended to this Report).

The Report includes **'the Procedures'** (Scope of work- procedures to be performed - **Annex 2a**) carried out and **'the Findings'** (Detailed agreed-upon procedures and standard factual findings to be **confirmed** by the Auditor - **Annex 2b**) examined.

The Procedures were carried out solely to assist the Commission in evaluating whether 'the Beneficiary'/'the Affiliated entity' costs in the accompanying Financial Statement(s) were declared in accordance with the Agreement, has occurred ('reality'), is accurate ('exact') and eligible. The Commission draws its own conclusions from the Report and any additional information it may require.

The scope of the Procedures was defined by the Commission. Therefore, the Auditor is not responsible for their suitability or pertinence. Since the Procedures carried out constitute neither an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not give a statement of assurance on the Financial Statements.

Had the Auditor carried out additional procedures or an audit of 'the Beneficiary'/'the Affiliated entity'

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<sup>4</sup> Financial Statement in this context refers solely to Annex VI by which the 'the Beneficiary'/'the Affiliated entity' claims costs under the Grant Agreement.

Financial Statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to its attention and would have been included in the Report.

## **Factual Findings**

### **Not applicable Findings**

We examined the Financial Statement(s) stated above and considered the following Findings not applicable:

#### **Explanation (to be removed from the Report):**

*If a Finding was not applicable, it must be marked as 'N.A.' ('Not applicable') in the corresponding row on the right-hand column of the table and means that the Finding did not have to be corroborated by the Auditor and the related Procedure(s) did not have to be carried out.*

*The reasons of the non-application of a certain Finding must be obvious i.e.*

*i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable;*

*ii) if the condition set to apply certain Procedure(s) are not met the related Finding(s) and those Procedure(s) are not applicable. For instance, for 'beneficiaries with accounts established in a currency other than euro' the Procedure and Finding related to 'beneficiaries with accounts established in euro' are not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.*

List here all Findings considered not applicable for the present engagement and explain the reasons of the non-applicability.

### **Exceptions**

Apart from the exceptions listed below, 'the Beneficiary'/'the Affiliated entity' provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and evaluate the Findings.

#### **Explanation (to be removed from the Report):**

*- If the Auditor was not able to successfully complete a procedure requested, it must be marked as 'E' ('Exception') in the corresponding row on the right-hand column of the table. The reason such as the inability to reconcile key information or the unavailability of data that prevents the Auditor from carrying out the Procedure must be indicated below.*

*- If the Auditor cannot corroborate a standard finding after having carried out the corresponding procedure, it must also be marked as 'E' ('Exception') and, where possible, the reasons why the Finding was not fulfilled and its possible impact must be explained here below.*

List here any exceptions and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, include the corresponding amount.

#### **Explanation (to be removed from the Report):**

1. 'the Beneficiary'/'the Affiliated entity' was unable to substantiate the Finding number 1 on ... because ....

2. Finding number 30 was not fulfilled because the methodology used by 'the Beneficiary'/'the Affiliated entity' to calculate unit costs was different from the one approved by the Commission. The differences were as follows: ...

3. After carrying out the agreed procedures to confirm the Finding number 31, the Auditor found a difference of \_\_\_\_\_ EUR. The difference can be explained by ...



## **Further Remarks**

In addition to reporting on the results of the specific procedures carried out, the Auditor would like to make the following general remarks:

*Example (to be removed from the Report):*

1. *Regarding Finding number 8 the conditions for additional remuneration were considered as fulfilled because ...*
2. *In order to be able to confirm the Finding number 15 we carried out the following additional procedures: ..*

## **Use of this Report**

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

It was prepared solely for the confidential use of ‘the Beneficiary’/‘the Affiliated entity’ and the Commission and solely for the purpose of submission to the Commission in connection with the requirements as set out in Article I.4.3(c) and I.4.4(d) of the Special Conditions of the Grant Agreement. This report may not be used by ‘the Beneficiary’/‘the Affiliated entity’ or by the Commission for any other purpose, nor may it be distributed to any other parties. The Commission may only disclose this Report to others who have regulatory rights of access to it in particular the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

This Report relates only to the Financial Statement(s) submitted to the [Commission] by the ‘the Beneficiary’/‘the Affiliated entity’ for the Agreement. Therefore, it does not extend to any other of the ‘the Beneficiary’/ ‘the Affiliated entity’ Financial Statement(s).

There was no conflict of interest<sup>5</sup> between the Auditor and ‘the Beneficiary’/‘the Affiliated entity’ in establishing this Report. The total fee paid to the Auditor for providing the Report was EUR (including EUR \_\_\_\_ of deductible VAT).

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

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<sup>5</sup> A conflict of interest arises when the Auditor's objectivity to establish the certificate is compromised in fact or in appearance when the Auditor for instance:

- was involved in the preparation of the Financial Statements;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the beneficiary/affiliated entity;
- is a director, trustee or partner of the beneficiary/affiliated entity; or
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

**ECR coverage – summary table**

Cost category	Nbr of items sampled	Total nbr of items	Amounts sampled EUR (a)	Total amounts reported EUR (b)	% (a/b)	Exception reference
Total						
-Cost of Audit Certificate						
-Indirect costs 7% <sup>6</sup>						
total costs reported						

**Annexes :**

- Terms of Reference ('ToR') for the Certificate on the Financial Statements ('CFS') of a European Union (DG CNECT) financed Action Grant Agreement and its annex 1 : Information about the Financial Statements
- ANNEX 2 A- Scope of Work – Procedures to be performed
- ANNEX 2 B-Detailed agreed-upon procedures and standard factual findings to be confirmed by the Auditor

Yours sincerely,

*[legal name of the audit firm]*

*[[name and function of an authorised representative]*

**<dd Month yyyy>**,

**<Signature of the Auditor>**

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<sup>6</sup> unless otherwise specified in Article I.3.2

## Annex 2a

### Scope of Work – Procedures to be performed

The Auditor designs and carries out his verification work programme in accordance with the objective and scope of this engagement and the procedures to be performed as specified below. When performing these procedures the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations.

The Auditor obtains sufficient appropriate verification evidence from these procedures to be able to draw up a report of factual findings. For this purpose the Auditor can refer to the guidance provided by International Standard on Auditing 500 “Audit Evidence” and in particular by the paragraphs relating to ‘sufficient appropriate audit evidence’. The Auditor exercises professional judgment as to what is sufficient appropriate verification evidence where he believes that the guidance provided by ISA 500, the terms and conditions of the Grant Agreement and the ‘ToR’ for this engagement are not sufficient.

The General Conditions of the Grant Agreement Annex II and notably Article II.19 thereof provide guidance on the types and nature of expenditure that the Auditor may often find in cost claimed verifications.

#### **1 Obtaining a sufficient understanding of the Action and of the Terms and Conditions of the Grant Agreement**

The Auditor obtains a sufficient understanding of the terms and conditions of the Grant Agreement by reviewing the Grant Agreement and its annexes and other relevant information, and by inquiry of “the Beneficiary / affiliated Entity”. The Auditor ensures that he obtains a copy of the original Grant Agreement (signed by the Beneficiary and the Commission) with its annexes. The Auditor obtains and reviews copies of the <interim/final> Technical Implementation Report and Financial Statement (Annexes IV and V for Mono-beneficiary grants and Annex V and VI for Multi-beneficiary Grant Agreement).

The Auditor pays particular attention to Annex I of the Grant Agreement, which contains the Description of the Action and Annex III (Estimated Budget of the Action). If the Auditor finds that the terms and conditions to be verified are not sufficiently clear he should request clarification from “the Beneficiary”.

#### **2 Procedures to verify the eligibility of expenditure claimed by ‘the Beneficiary’/ ‘the Affiliated entity’ in the Financial Report and the payment request for the Action**

##### **2.1 General Procedures**

2.1.1 The Auditor verifies that the Financial Statement complies with the conditions of the Grant Agreement.

2.1.2 The Auditor examines whether ‘the Beneficiary’/‘the Affiliated entity’ has complied with the rules for accounting and record keeping of the Grant Agreement notably with Article II.19 of the General Conditions. The purpose of this is:

- To assess whether an efficient and effective expenditure verification of the Financial Statement is feasible; and

- To report important exceptions and weaknesses with regard to accounting, record keeping and documentation requirements so that the Beneficiary can undertake follow-up measures for correction and improvement for the remaining implementation period of the Action.

2.1.3 The Auditor reconciles the information in the Financial Statement to ‘the Beneficiary’/‘the Affiliated entity’ accounting system and records (e.g. trial balance, general ledger accounts, sub ledgers etc.).

2.1.4 The Auditor verifies that the correct exchange rates have been applied for currency conversions where applicable and in accordance with the conditions of the Grant Agreement notably Article I.4.6 of the special conditions of the grant Agreement of the General Conditions.

## **2.2 Conformity of Expenditure with the Budget and Analytical Review**

The Auditor carries out an analytical review of the expenditure categories in the Financial Statement and:

- verifies that the budget in the Financial Statement corresponds with the Budget of the Grant Agreement (authenticity and authorisation of the initial Budget) and that the expenditure incurred was foreseen in the budget of the Grant Agreement.
- verifies that the total amount claimed for payment by ‘the Beneficiary’/‘the Affiliated entity’ does not exceed the maximum grant laid down in Article I.3. of the Special Conditions of the Grant Agreement.
- verifies that any amendments to the Budget of the Grant Agreement comply with the conditions for such amendments (including where applicable the requirement for an addendum to the Grant Agreement) as set out in Article II.22 of the General Conditions.
- verifies that the conditions for profit in Article II.25.3 of the General Conditions were respected.

## **2.3 Selecting Costs for Verification**

### **2.3.1 Costs Categories, Subcategories and Items**

The costs claimed by ‘the Beneficiary’/‘the Affiliated entity’ in the Financial Report is presented under a number of costs categories, which on their turn can be broken down into subcategories.

Costs subcategories can in principle be broken down into individual costs items or classes of costs items with the same or similar characteristics. The form and nature of the supporting evidence (e.g. a payment, a contract, an invoice etc) and the way cost is recorded (i.e. journal entries) vary with the type and nature of the cost and the underlying actions or transactions. However, in all cases cost items reflect the accounting (or financial) value of underlying actions or transactions no matter the type and nature of the action or transaction concerned.

### **2.3.2 Selecting Cost Items**

Value should be the primary factor used by the Auditor to select expenditure items or classes of cost items for verification. The Auditor selects high value cost items to ensure an appropriate coverage of expenditure.

Moreover, the Auditor uses his judgment to select specific cost items or classes of cost items. The Auditor may use factors such as his knowledge of the action and the characteristics of the costs categories, classes and items being verified such as for example cost items that are unusual or inherently risky or error prone.

## 2.4 Verification of Cost claimed

The Auditor verifies the costs claimed and reports all the exceptions resulting from this verification. Verification exceptions are all verification deviations found when performing the procedures should

be set out in an Annex to the Auditor's report. In all cases the Auditor assesses the (estimated) financial impact of exceptions in terms of ineligible expenditure. The Auditor reports all exceptions found including the ones of which he cannot measure the financial impact. Having selected the costs items the Auditor verifies them by testing for the criteria set out below.

### 2.4.1 Eligibility of Direct Costs

The Auditor verifies the eligibility of direct costs with the terms and conditions of the Grant Agreement notably Article II.19 of the General Conditions. He verifies that these costs:

- are necessary for carrying out the action. In other words the Auditor verifies that expenditure for a transaction or action has been incurred for the intended purpose of the action and that it has been necessary for the activities and objectives of the action. The Auditor further verifies that the direct costs are provided for in the Grant Agreement Budget and comply with the principles of sound financial management, in particular value for money and cost effectiveness;
- have actually been incurred by 'the Beneficiary'/'the Affiliated entity' or his partners during the implementation period of the Action as defined in Article I.2 of the Special Conditions;
- are recorded in the accounts of 'the Beneficiary'/'the Affiliated entity' and are identifiable, verifiable and substantiated by originals of supporting evidence.

The Auditor also considers non-eligible costs as described in Article II.19.4 of the General Conditions. In this respect the Auditor verifies in particular whether expenditure includes certain taxes, including VAT. If this is the case the Auditor verifies whether 'the Beneficiary'/'the Affiliated entity' (or, where applicable the partners) cannot reclaim these taxes and whether the applicable regulations, rules and practices in the country concerned allow the coverage of these taxes in the expenditure.

#### 2.4.1.1 Personnel costs calculation

Personnel costs must be calculated by 'the Beneficiary'/'the Affiliated entity' as follows:

##### ***The hourly rate***

(X) multiplied by

the number of actual hours worked on the action,

(+)plus

(for non-profit legal entities): additional remuneration to personnel assigned to the action.

The number of actual hours declared for a person must be identifiable and verifiable.

The total number of hours declared in EU Grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate.

Therefore, the maximum number of hours that can be declared for the grant are:

The number of annual productive hours for the year (see below)

(-) minus

The total number of hours declared by the beneficiary, for that person for that year, for other EU Grants.

The '**hourly rate**' is one of the following:

(a) for personnel costs declared as actual costs, the hourly rate is calculated *per full financial year*, as follows:

the actual annual personnel costs (excluding additional remuneration) for the person  
(/) divided by  
The number of annual productive hours

using the personnel costs and the number of productive hours for each full financial year covered by the reporting period concerned. If a financial year is not closed at the end of the reporting period, the beneficiaries must use the hourly rate of the last closed financial year available.

For the ‘**number of annual productive hours**’, the beneficiaries may choose one of the following:

- (i) ‘fixed number of hours’: 1 720 hours for persons working full time (or corresponding pro-rata for persons not working full time);
- (ii) ‘individual annual productive hours’: the total number of hours worked by the person in the year for the beneficiary/affiliated entity, calculated as follows:

The annual workable hours of the person (according to the employment contract, applicable collective labour agreement or national law)  
(+) plus  
The overtime worked  
(-) minus  
The absences (such as sick leave and special leave).

‘**Annual workable hours**’ means the period during which the personnel must be working, at the employer’s disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.

If the contract (or applicable collective labour agreement or national working time legislation) does not allow to determine the annual workable hours, this option cannot be used;

- (iii) ‘standard annual productive hours’: the standard number of annual hours generally applied by ‘the Beneficiary’/‘the Affiliated entity’ for its personnel in accordance with its usual cost accounting practices. This number must be at least 90% of the ‘standard annual workable hours’.

If there is no applicable reference for the standard annual workable hours, this option cannot be used.

For all options, the actual time spent on *parental leave* by a person assigned to the action may be deducted from the number of annual productive hours.

(b) As an alternative, beneficiaries may calculate the hourly rate *per month*, as follows:

The actual monthly personnel cost (excluding additional remuneration) for the person  
(/) divided by  
the number of annual productive hours (/) divided by 12.

using the personnel costs for each month and (one twelfth of) the annual productive hours.

calculated according to either option (i) or (iii) above, i.e.:

- fixed number of hours or
- standard annual productive hours.

Time spent on *parental leave* may not be deducted when calculating the hourly rate per month. However,

beneficiaries may declare personnel costs incurred in periods of parental leave in proportion to the time the person worked on the action in that financial year.

If parts of a basic remuneration are generated over a period longer than a month, ‘the Beneficiary’/‘the Affiliated entity’ may include only the share which is generated in the month (irrespective of the amount actually paid for that month).

Each ‘the Beneficiary’/‘the Affiliated entity’ must use only one option (per full financial year or per month) for each full financial year.

#### 2.4.2 **Accuracy** and Recording

The Auditor verifies that expenditure for a transaction or action has been accurately and properly recorded in ‘the Beneficiary’/‘the Affiliated entity’'s accounting system and the Financial Report and that it is supported by appropriate evidence and supporting documents. This includes proper valuation and the use of correct exchange rates.

#### 2.4.3 **Classification**

The Auditor verifies that expenditure for a transaction or action has been classified under the correct category and subcategory of the Financial Report.

#### 2.4.4 **Reality** (occurrence / existence)

The Auditor exercises professional judgment to obtain sufficient appropriate verification evidence as to whether the expenditure has occurred (reality and quality of the expenditure) and - where applicable - assets exist. The Auditor verifies the reality and quality of the expenditure for a transaction or action by examining proof of work done, goods received or services rendered on a timely basis, at acceptable and agreed quality and at reasonable prices or costs.

#### 2.4.5 **Indirect costs**

When applicable, the Auditor verifies that the administrative (indirect) costs do not exceed a maximum of 7% of the total direct eligible costs of the action (Article II.19.3 of the General Conditions).

### 2.5 **Verification Coverage of Expenditure**

The Auditor applies the principles and criteria set out below when planning and performing the procedures for expenditure verification of Sections 2.3 and 2.4 above. This allows the Auditor to rationalise his verification work.

Verification by the Auditor and verification coverage of expenditure items does not necessarily mean a complete and exhaustive verification of all the expenditure items that are included in a specific expenditure category or subcategory. The Auditor should ensure a systematic and representative verification but depending on certain conditions (see further below) the Auditor may obtain satisfactory verification results for an expenditure category or subcategory by looking at a limited number of selected expenditure items.

The Auditor may apply statistical sampling techniques for the verification of one or more expenditure categories or subcategories of the Financial Report. For this purpose the Auditor examines whether the ‘populations’ (i.e. expenditure subcategory or classes of expenditure items within an expenditure subcategory) are suitable and sufficiently large (i.e. they should be made up of a large amount of items) for effective statistical sampling. This enables the Auditor to obtain and evaluate verification

evidence to form a conclusion on the total of the population from which the sample is drawn. The Auditor may refer to IFAC International Standard on Auditing 530 ‘Audit sampling and other selective testing procedures’ for guidance.

#### 2.5.1 **Expenditure Coverage Ratio** (‘ECR’)

The Expenditure Coverage Ratio (‘ECR’) is equal to the total amount of expenditure verified by the Auditor expressed as a percentage of the total amount of expenditure reported by ‘the Beneficiary’/‘the Affiliated entity’ in the Financial Report and declared by ‘the Beneficiary’/‘the Affiliated entity’ in the interim or final financial report introduced according to Article I.4 of the Grant Agreement. **The Auditor ensures that the overall ECR is at least 65 % (excluding Audit Certificate costs and indirect 7% flat rate costs unless otherwise specified in Article I.3.2).** The Auditor selects expenditure items (see Section 2.3.2). If he finds an exception rate of less than 2 % of the total amount of expenditure verified the Auditor finalises verification procedures and continues with reporting. **If the exception rate found is higher than 2 % the Auditor extends verification procedures until the ECR is at least 85 % (excluding Audit Certificate costs and indirect 7% flat rate costs unless otherwise specified in Article I.3.2).** The Auditor then finalises verification procedures and continues with reporting regardless of the total exception rate found.

The ECR is reported in a **summary table** in the “Independent Report of Factual Findings on costs declared under an EU Financed Action Grant Agreement” signed by the auditor.

#### **2.6 Verification of Revenues of the Action**

The Auditor verifies that receipts limited to the income generated by the Action and to the financial contributions specifically assigned by other donors to eligible costs, have been declared in the Final Activity Report and Financial Statement.



### Detailed agreed-upon procedures and standard factual findings to be confirmed by the Auditor

The Auditor designs and carries out his work in accordance with the objective and scope of this engagement and the procedures to be performed as specified in Annex 2a and detailed below. When performing these procedures the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations or any others deemed necessary in carrying out these procedures. **The Auditor ensures that the overall ECR<sup>7</sup> (The Expenditure Coverage Ratio ) is at least 65 % (excluding Audit Certificate costs and indirect 7% flat rate costs unless otherwise specified in Article I.3.2)**

The European Commission reserves the right to i) provide the auditor with additional guidance regarding the procedures to be followed or the facts to be ascertained and the way in which to present them (this may include sample coverage and findings) or to ii) change the procedures, by notifying the Beneficiary in writing. The procedures carried out by the auditor to confirm the standard factual finding are listed in the table below.

If this certificate relates to an Affiliated Entity any reference here below to ‘the Beneficiary’ is to be considered as a reference to ‘the Affiliated Entity’.

The ‘result’ column has three different options: ‘C’, ‘E’ and ‘N.A.’:

- ‘C’ stands for ‘confirmed’ and means that the auditor can confirm the ‘standard factual finding’ and, therefore, there is no exception to be reported.
- ‘E’ stands for ‘exception’ and means that the Auditor carried out the procedures but cannot confirm the ‘standard factual finding’, or that the Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable),
- ‘N.A.’ stands for ‘not applicable’ and means that the Finding did not have to be examined by the Auditor and the related Procedure(s) did not have to be carried out. The reasons of the non-application of a certain Finding must be obvious i.e. i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable; ii) if the condition set to apply certain Procedure(s) are not met then the related Finding(s) and Procedure(s) are not applicable. For instance, for ‘beneficiaries with accounts established in a currency other than the euro’ the Procedure related to ‘beneficiaries with accounts established in euro’ is not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.

<sup>7</sup> (Annex 2 to terms of reference point 2.5.1) The Expenditure Coverage Ratio (‘ECR’) is equal to the total amount of expenditure verified by the Auditor expressed as a percentage of the total amount of expenditure reported by ‘the Beneficiary’/‘the Affiliated entity’ in the Financial Report and declared by ‘the Beneficiary’/‘the Affiliated entity’ in the related interim or final financial report under analysis. . If the exception rate found is higher than 2 % the Auditor extends verification procedures until the ECR is at least 85 %.

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
<b>A</b>	<b>ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL</b>		
	<p>The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A.</p> <p><i>(The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party) otherwise the sample should have a minimum of 10 people, or 10% of the total number of people, whichever number is the highest)</i></p> <p><b>The Auditor sampled.....people out of the total of .....people for .....EUR representing ..... % of total personnel costs declared.</b></p>		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
<b>A.1</b>	<p><b>PERSONNEL COSTS (Article II.19.2(a) of the general conditions to the GA)</b></p> <p>For the persons included in the sample and working under an <b>employment contract or equivalent act</b> (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</p> <p>To confirm standard factual findings 1-5 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>o a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract;</li> </ul>	<p>1) The employees were i) directly hired by the Beneficiary in accordance with its national legislation, ii) under the Beneficiary's sole technical supervision and responsibility and iii) remunerated in accordance with the Beneficiary's usual practices.</p>	

	<ul style="list-style-type: none"> <li>● the payslips of the employees included in the sample;</li> <li>● reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system;</li> <li>● information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent;</li> <li>● the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay);</li> <li>● applicable national law on taxes, labour and social security and ○ any other document that supports the personnel costs declared.</li> </ul> <p>The Auditor also verified the eligibility of all components of the retribution (see Article II.19.2(a) of the GA) and recalculated the personnel costs for employees included in the sample.</p>	2) Personnel costs were recorded in the Beneficiary's accounts/payroll system.	
		3) Costs were adequately supported and reconciled with the accounts and payroll records.	
		4) Personnel costs did not contain any ineligible elements.	
		5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.	
	<p><b><i>Further procedures if 'additional remuneration' is paid</i></b></p> <p>To confirm standard factual findings 6-8 listed in the next column, the Auditor:</p> <ul style="list-style-type: none"> <li>● reviewed relevant documents provided by the Beneficiary (legal form, legal/statutory obligations, the Beneficiary's usual policy on additional remuneration, criteria used for its calculation, the Beneficiary's usual remuneration practice for projects funded under national funding schemes...);</li> <li>● recalculated the amount of additional remuneration eligible for the action based on the supporting documents received (full-time or part-time work, exclusive or non-exclusive dedication to the action, usual remuneration paid for projects funded by national schemes) to arrive at the applicable FTE/year and pro-rata rate (see data collected in the course of carrying out the procedures under A.2 Productive hours and A.4 Time recording system').</li> </ul>	6) The Beneficiary paying "additional remuneration" was a non-profit legal entity.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>‘ADDITIONAL REMUNERATION ’ MEANS ANY PART OF THE REMUNERATION WHICH EXCEEDS WHAT THE PERSON WOULD BE PAID FOR TIME WORKED IN PROJECTS FUNDED BY NATIONAL SCHEMES.</i></p> <p><i>IF ANY PART OF THE REMUNERATION PAID TO THE EMPLOYEE IS QUALIFIES AS "ADDITIONAL REMUNERATION" AND IS ELIGIBLE UNDER THE PROVISIONS OF ARTICLE II.19.2.(a) , THIS CAN BE CHARGED AS ELIGIBLE COST TO THE ACTION:</i></p>	7) The amount of additional remuneration paid corresponded to the Beneficiary’s usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.	
		8) The criteria used to calculate the additional remuneration were objective and generally applied by the Beneficiary regardless of the source of funding used.	
	<p><i>Additional procedures in case “unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices” is applied:</i></p> <p>Apart from carrying out the procedures indicated above to confirm standard factual findings 1-5 and, if applicable, also 6-8, the Auditor carried out following procedures to confirm standard factual findings 9-12 listed in the next column:</p>	9) The personnel costs included in the Financial Statement were calculated in accordance with the Beneficiary's usual cost accounting practice. This methodology was consistently used I all EU Grant Actions.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> <li>o obtained a description of the Beneficiary's usual cost accounting practice to calculate unit costs;</li> <li>o reviewed whether the Beneficiary's usual cost accounting practice was applied for the Financial Statements subject of the present CFS;</li> <li>o verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the Beneficiary to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records;</li> <li>o verified that there is no difference between the total amount of personnel costs used in calculating the cost per unit and the total amount of personnel costs recorded in the statutory accounts;</li> <li>o verified whether actual personnel costs were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used are actually relevant for the calculation, objective and supported by documents.</li> </ul>	10) The employees were charged under the correct category.	
		11) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.	
		12) Any estimated or budgeted element used by the Beneficiary in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.	
		13) The natural persons worked under conditions similar to those of an employee, in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed.	
	<p>For natural persons included in the sample and working with the Beneficiary under a <b>direct contract other than an employment contract</b>, such as <u>consultants</u> (no subcontractors)- (Art II.19.2.(a) 3<sup>rd</sup>§).</p> <p>To confirm standard factual findings 13-16 listed in the next column the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>o the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Beneficiary;</li> <li>o the employment conditions of staff in the same category to compare costs and;</li> <li>o any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.).</li> </ul>	14) The results of work carried out belong to the Beneficiary, or, if not, the Beneficiary has obtained all necessary rights to fulfil its obligations as if those results were generated by itself.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
		15) Their costs were not significantly different from those for staff who performed similar tasks under an employment contract with the Beneficiary.	
		16) The costs were supported by audit evidence and registered in the accounts.	
	<p>For personnel <b>seconded by a third party</b> and included in the sample (not subcontractors)- (Art II.19.2.(a) 3<sup>rd</sup>§)</p> <p>To confirm standard factual findings 17-20 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>• the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Beneficiary;</li> <li>• the employment conditions of staff in the same category to compare costs and;</li> <li>• any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.).</li> </ul>	17) Seconded personnel reported to the Beneficiary and worked on the Beneficiary's premises (unless otherwise agreed with the Beneficiary).	
		18) The results of work carried out belong to the Beneficiary, or, if not, the Beneficiary has obtained all necessary rights to fulfil its obligations as if those results were generated by itself.	
		<p>19) Their costs were not significantly different from those for staff who performed similar tasks under an employment contract with the Beneficiary.</p> <p>20) The costs were supported by audit evidence and registered in the accounts.</p>	

<i>Ref</i>	<i>Procedures</i>	<i>Standard factual finding</i>	<i>Result</i> (C / E / )
A.2	<p><b>PRODUCTIVE HOURS</b></p> <p>'Productive hours' represent the (average) number of hours made available by the employee in a year after the deduction of holiday, sick leave and other entitlements.</p> <p>To confirm standard factual findings 21-26 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that:</p> <ul style="list-style-type: none"> <li>o the annual productive hours applied were calculated in accordance with one of the methods described below,</li> <li>o the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated.</li> </ul> <p>If the Beneficiary applied method B, the auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours.</p> <p>If the Beneficiary applied method C, the auditor verified that the 'annual productive hours' applied when calculating the hourly rate were equivalent to at least 90 % of the 'standard annual workable hours'. The Auditor can only do this if the calculation of the standard annual workable hours can be supported by records, such as national legislation, labour agreements, and contracts.</p>	<p>21) The Beneficiary applied method [choose one option and delete the others]</p> <p>[A: 1720 hours]</p> <p>[B: the 'total number of hours worked']</p> <p>[C: 'standard annual productive hours' used correspond to usual accounting practices]</p>	
		22) Productive hours were calculated annually.	
		23) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>BENEFICIARY'S PRODUCTIVE HOURS' FOR PERSONS WORKING FULL TIME SHALL BE ONE OF THE FOLLOWING METHODS:</i></p> <p><b>A.</b> 1720 ANNUAL PRODUCTIVE HOURS (PRO-RATA FOR PERSONS NOT WORKING FULL-TIME)</p> <p><b>B.</b> THE TOTAL NUMBER OF HOURS WORKED BY THE PERSON FOR THE BENEFICIARY IN THE YEAR (THIS METHOD IS ALSO REFERRED TO AS 'TOTAL NUMBER OF HOURS WORKED' IN THE NEXT COLUMN). THE CALCULATION OF THE TOTAL NUMBER OF HOURS WORKED WAS DONE AS FOLLOWS: ANNUAL WORKABLE HOURS OF THE PERSON ACCORDING TO THE EMPLOYMENT CONTRACT, APPLICABLE LABOUR AGREEMENT OR NATIONAL LAW PLUS OVERTIME WORKED MINUS ABSENCES (SUCH AS SICK LEAVE OR SPECIAL LEA VE).</p> <p><b>C.</b> THE STANDARD NUMBER OF ANNUAL HOURS GENERALLY APPLIED BY THE BENEFICIARY FOR ITS PERSONNEL IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES (THIS METHOD IS ALSO REFERRED TO AS 'STANDARD ANNUAL PRODUCTIVE HOURS ' IN THE NEXT COLUMN). THIS NUMBER MUST BE AT LEAST 90% OF THE STANDARD ANNUAL WORKABLE HOURS.</p> <p>'ANNUAL WORKABLE HOURS' MEANS THE PERIOD DURING WHICH THE PERSONNEL MUST BE WORKING, AT THE EMPLOYER 'S DISPOSAL AND CARRYING OUT HIS/HER ACTIVITY OR DUTIES UNDER THE EMPLOYMENT CONTRACT, APPLICABLE COLLECTIVE LABOUR AGREEMENT OR NATIONAL WORKING TIME LEGISLATION.WORKING,</p>	<p><i>If the Beneficiary applied method B</i></p> <p>24) The calculation of the number of 'annual workable hours', overtime and absences was verifiable based on the documents provided by the Beneficiary.</p> <p>24.1) The Beneficiary calculates the hourly rates per full financial year following procedure A.3 (method B is not allowed for beneficiaries calculating hourly rates per month).</p>	
		<p><i>If the Beneficiary applied method C.</i></p> <p>25) The calculation of the number of 'standard annual workable hours' was verifiable based on the documents provided by the Beneficiary.</p>	
		<p>26) The 'annual productive hours' used for calculating the hourly rate were consistent with the usual cost accounting practices of the Beneficiary and were equivalent to at least 90 % of the 'annual workable</p>	



Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A.3	<p><b>HOURLY PERSONNEL RATES</b></p> <p><u>I) for unit costs calculated in accordance to the Beneficiary's usual cost accounting practice (unit costs):</u></p> <p>If the Beneficiary has a "Certificate on Methodology to calculate unit costs " (CoMUC) approved by the Commission, the Beneficiary provides the Auditor with a description of the approved methodology and the Commission's letter of acceptance. The Auditor verified that the Beneficiary has indeed used the methodology approved. If so, no further verification is necessary.</p>	<p>27) The Beneficiary applied [choose one option and delete the other]:</p> <p>[Option I: "Unit costs (hourly rates) were calculated in accordance with the Beneficiary's usual cost accounting practices"]</p> <p>[Option II: Individual hourly rates were applied]</p>	
	<p>If the Beneficiary does not have a "Certificate on Methodology" (CoMUC) approved by the Commission, or if the methodology approved was not applied, then the Auditor:</p> <ul style="list-style-type: none"> <li>o reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates;</li> <li>o recalculated the unit costs (hourly rates) of staff included in the sample following the results of the procedures carried out in A.1 and A.2.</li> </ul> <p><u>II) For individual hourly rates:</u></p> <p>The Auditor:</p> <ul style="list-style-type: none"> <li>o reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates;</li> <li>o recalculated the hourly rates of staff included in the sample (recalculation of all hourly rates if the Beneficiary uses annual rates, recalculation of three months selected randomly for every year and person if the Beneficiary uses monthly rates) following the results of the procedures carried out in A.1 and A.2;</li> </ul>	<p><i>For option I concerning unit costs and if the Beneficiary applies the <b>methodology approved</b> by the Commission (CoMUC):</i></p> <p>28) The Beneficiary used the Commission-approved methodology to calculate hourly rates. It corresponded to the organisation's usual cost accounting practices and was applied consistently for all activities irrespective of the source of funding.</p> <p><i>For option I concerning unit costs and if the Beneficiary applies a <b>methodology not approved</b> by the Commission:</i></p> <p>29) The unit costs re-calculated by the Auditor were the same as the rates applied by the Beneficiary.</p>	

	<p><i>o</i> (only in case of monthly rates) confirmed that the time spent on parental leave is not deducted, and that, if parts of the basic remuneration are generated over a period longer than a month, the Beneficiary has included only the share which is generated in the month.</p> <p><u>“UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES ”:</u></p> <p><i>IT IS CALCULATED BY DIVIDING THE TOTAL AMOUNT OF PERSONNEL COSTS OF THE CATEGORY TO WHICH THE EMPLOYEE BELONGS VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF FTE AND THE ANNUAL TOTAL PRODUCTIVE HOURS OF THE SAME CATEGORY CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH PROCEDURE A.2.</i></p> <p><u>HOURLY RATE FOR INDIVIDUAL ACTUAL PERSONAL COSTS:</u></p> <p><i>IT IS CALCULATED FOLLOWING ONE OF THE TWO OPTIONS BELOW:</i></p> <p>A) [OPTION BY DEFAULT] BY DIVIDING THE ACTUAL ANNUAL AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF ANNUAL PRODUCTIVE HOURS VERIFIED IN LINE WITH PROCEDURE A.2 (FULL FINANCIAL YEAR HOURLY RATE);</p> <p>B) BY DIVIDING THE ACTUAL MONTHLY AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY 1/12 OF THE NUMBER OF ANNUAL PRODUCTIVE HOURS VERIFIED IN LINE WITH PROCEDURE A.2.(MONTHLY HOURLY RATE).</p>	<p><i>For option II concerning <b>individual hourly rates</b>:</i></p> <p>30) The individual rates recalculated by the Auditor were the same as the rates applied by the Beneficiary.</p> <p>30.1) The Beneficiary used only one option (per full financial year or per month) throughout each financial year examined.</p> <p>30.2) The hourly rates do not include additional remuneration.</p>	
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Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A.4	<b>TIME RECORDING SYSTEM</b>  To verify that the time recording system ensures the fulfilment of all minimum requirements and that the hours declared for the action were correct, accurate and properly authorised and supported by documentation, the Auditor made the following checks for the persons included in the sample that declare time as worked for the action on the basis of time records: <ul style="list-style-type: none"> <li>o description of the time recording system provided by the Beneficiary (registration, authorisation, processing in the HR-system);</li> <li>o its actual implementation;</li> <li>o time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager;</li> <li>o the hours declared were worked within the project period;</li> <li>o there were no hours declared as worked for the action if HR-records showed absence due to holidays or sickness (further cross-checks with travels are carried out in B.1 below) ;</li> </ul> <i>ONLY THE HOURS WORKED ON THE ACTION CAN BE CHARGED. ALL WORKING TIME TO BE CHARGED SHOULD BE RECORDED THROUGHOUT THE DURATION OF THE PROJECT, ADEQUATELY SUPPORTED BY EVIDENCE OF THEIR REALITY AND RELIABILITY (SEE SPECIFIC PROVISIONS BELOW FOR PERSONS WORKING EXCLUSIVELY FOR THE ACTION WITHOUT TIME RECORDS).</i>	31) All persons recorded their time dedicated to the action on a <b>daily/ weekly/ monthly</b> basis using a <b>paper/computer-based</b> system. (delete the answers that are not applicable)	
		32) Their time-records were authorised at least monthly by the project manager or other superior.	
		33) Hours declared were worked within the project period and were consistent with the presences /absences recorded in HR-records.	
		34) There were no discrepancies between the number of hours charged to the action and the number of hours recorded.	
	<u>If the persons are working exclusively for the action and without time records</u>  For the persons selected that worked exclusively for the action without time records, the Auditor verified evidence available demonstrating that they were in reality exclusively dedicated to the action and that the Beneficiary signed a declaration confirming that they have worked exclusively for the action.	35) The exclusive dedication is supported by a declaration signed by the Beneficiary and by any other evidence gathered.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
<b>B</b>	<b>COSTS OF SUBCONTRACTING (Article II.11 of the general conditions to the GA)</b>		
<b>B.1</b>	<p><b>The Auditor obtained the detail/breakdown of subcontracting costs and sampled ..... cost items selected randomly out of a total of .....cost items , for .....EUR representing ..... % of the total cost item category declared.</b></p> <p><i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 items, or 10% of the total number of items, whichever number is highest).</i></p> <p>To confirm standard factual findings 36-40 listed in the next column, the Auditor reviewed the following for the items included in the sample:</p> <ul style="list-style-type: none"> <li>o the use of subcontractors was foreseen in Annex 1;</li> <li>o subcontracting costs were declared in the subcontracting category of the Financial Statement;</li> <li>o supporting documents on the selection and award procedure were followed;</li> <li>o the Beneficiary ensured best value for money (key elements to appreciate the respect of this principle are the award of the subcontract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Beneficiary ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment).</li> </ul> <p>In particular,</p> <ul style="list-style-type: none"> <li>i. if the Beneficiary acted as a contracting authority within the meaning of Directive 2004/18/EC (or 2014/24/EU) or of Directive 2004/17/EC (or 2014/25/EU), the Auditor verified that the applicable national law on public procurement was followed and that the subcontracting complied with the Terms and Conditions of the Agreement.</li> <li>ii. if the Beneficiary did not fall under the above-mentioned category the Auditor verified that</li> </ul>	<p>36) The use of claimed subcontracting costs was foreseen in Annex 1 and costs were declared in the Financial Statements under the subcontracting category.</p> <p>37) There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules. Subcontracts were awarded in accordance with the principle of best value for money.</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the Beneficiary under the caption “Exceptions” of the Report. The Commission will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p> <p>38) The subcontracts were not awarded to other Beneficiaries of the consortium</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> <li>o the subcontracts were not awarded to other Beneficiaries in the consortium;</li> <li>o there were signed agreements between the Beneficiary and the subcontractor;</li> <li>o there was evidence that the services were provided by subcontractor;</li> </ul>	<p>39) All subcontracts were Supported by signed agreements between the Beneficiary and the subcontractor.</p>	
C	<b>COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES (Article II.12 of the general conditions to the GA)</b>		
C.1	<p><b>The Auditor obtained the detail/breakdown of the costs of providing financial support to third parties and sampled _____ cost items selected randomly out of a total of .....cost items, for .....EUR representing ..... % of total cost item category declared.</b></p> <p><i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 items, or 10% of the total number of items, whichever number is highest).</i></p> <p>The Auditor verified that the following minimum conditions were met:</p> <ul style="list-style-type: none"> <li>a) the maximum amount of financial support for each third party did not exceed EUR 60 000, unless explicitly mentioned in Annex 1;</li> <li>b) the financial support to third parties was agreed in Annex 1 of the Agreement and the other provisions on financial support to third parties included in Annex 1 were respected.</li> </ul>	<p>41) All minimum conditions were met</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
<b>D</b>	<b>OTHER ACTUAL DIRECT COSTS</b>		
<b>D.1</b>	<p><b>COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES-</b> Article II.19.2(b) of the general conditions to the GA)</p> <p><b>The Auditor sampled _____cost items selected out of a total of .....cost items, for .....EUR representing ..... % of total cost item category declared.</b></p> <p><i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 items, or 10% of the total number of items, whichever number is the highest).</i></p> <p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> <li>o travel and subsistence costs were consistent with the Beneficiary's usual policy for travel. In this context, the Beneficiary provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the Beneficiary on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy;</li> <li>o travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference;</li> </ul>	<p>42) Costs were incurred, approved and reimbursed in line with the Beneficiary's usual policy for travels.</p> <p>43) There was a link between the trip and the action.</p> <p>44) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.</p> <p>45) No ineligible costs or excessive or reckless expenditure was declared.</p>	
<b>D.2</b>	<p><b>DEPRECIATION COSTS FOR EQUIPMENT, COSTS OF RENTING OR LEASING EQUIPMENT OR OTHER ASSETS-</b> Article II.19.2(c) of the general conditions to the GA)</p> <p><b>The Auditor sampled ____cost items selected randomly out of a total of .....cost items, for .....EUR representing ..... % of total cost item category declared.</b></p> <p><i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 items, or 10% of the total number of items, whichever number is the highest).</i></p>	<p>46) The asset charged to the action was traceable to the accounting records and the underlying documents.</p> <p>47) There was a link between the grant agreement and the asset charged to the action.</p>	

	<p>For “equipment or other assets” [from now on called “asset(s)”] selected in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> <li>• the assets were acquired in conformity with the Beneficiary's internal guidelines and procedures and has been purchased in accordance with Article II.10.1 if the purchase occurred within the <i>implementation period</i>;</li> </ul>	48) Procurement rules, Beneficiary's internal guidelines and procedures were followed where applicable.	
	<ul style="list-style-type: none"> <li>• they were correctly allocated to the action (with supporting documents such as delivery note invoice or any other proof demonstrating the link to the action)</li> <li>• they were entered in the accounting system;</li> <li>• the extent to which the assets were used for the action (as a percentage) was supported by reliable documentation (e.g. usage overview table);</li> </ul>	49) The depreciation method used to charge the asset to the action was in line with the applicable rules of the Beneficiary's country and the Beneficiary's usual accounting policy.	
	<p>The Auditor recalculated the depreciation costs and verified that they were in line with the applicable rules in the Beneficiary’s country and with the Beneficiary’s usual accounting policy (e.g. depreciation calculated on the acquisition value).</p>	50) The amount charged corresponded to the actual usage for the action.	
	<p>For the costs of renting or leasing equipment or other assets the auditors checked that these costs do not exceed the depreciation costs of similar equipment or assets and are exclusive of any finance fee;</p>	51) No ineligible costs or excessive or reckless expenditure were declared.	
	<p>Only the portion of the equipment’s depreciation, rental or lease costs corresponding to the <i>implementation period</i> and the rate of actual use for the purposes of the <i>action</i> may be taken into account when determining the eligible costs. By way of exception, the full cost of purchase of equipment may be eligible under the Special Conditions, if this is justified by the nature of the <i>action</i> and the context of the use of the equipment or assets;</p> <p>The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article II.19.4 GA).</p>	52) The costs of renting or leasing equipment do not exceed the depreciation costs of similar equipment or assets and are exclusive of any finance fee	

<b>D.3</b>	<p><b>COSTS OF OTHER GOODS AND SERVICES</b></p> <p><b>The Auditor sampled _____ cost items selected out of a total of .....cost items, for .....EUR representing ..... % of total cost item category declared.</b>  <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 items, or 10% of the total number of items, whichever number is highest).</i></p> <p>For the purchase of goods, works or services included in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> <li>o the contracts did not cover tasks described in Annex 1;</li> <li>o they were correctly identified, allocated to the proper action, entered in the accounting system (traceable to underlying documents such as purchase orders, invoices and accounting);</li> <li>o the goods were not placed in the inventory of durable equipment;</li> <li>o the costs charged to the action were accounted in line with the Beneficiary's usual accounting practices;</li> <li>o no ineligible costs or excessive or reckless expenditure were declared (see Article II.19.4 of GA)</li> </ul> <p>In addition, the Auditor verified that these goods and services were acquired in conformity <b>with</b> the Beneficiary's internal guidelines and procedures, in particular:</p> <ul style="list-style-type: none"> <li>o if Beneficiary acted as a contracting authority within the meaning of Directive 2004/18/EC (or 2014/24/EU) or of Directive 2004/17/EC (or 2014/25/EU), the Auditor verified that the applicable national law on public procurement was followed and that the procurement contract complied with the Terms and Conditions of the Agreement.</li> <li>o if the Beneficiary did not fall into the category above, the Auditor verified that the Beneficiary followed their usual procurement rules and respected the Terms and Conditions of the Agreement.</li> </ul> <p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> <li>o the Beneficiary ensured best value for money (key elements to appreciate the respect of this principle are the award of the contract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Auditor also verified that the Beneficiary ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment);</li> </ul>	<p>53) Contracts for works or services did not cover tasks described in Annex 1.</p> <p>54) Costs were allocated to the correct action and the goods were not placed in the inventory of durable equipment.</p> <p>55) The costs were charged in line with the Beneficiary's accounting policy and were adequately supported.</p> <p>56) No ineligible costs or excessive or reckless expenditure were declared. For internal invoices/charges only the cost element was charged, without any mark-ups.</p> <p>57) Procurement rules, principles and guides were followed. There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules. The purchases were made in accordance with the principle of best value for money.</p>	
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	<p><i>SUCH GOODS AND SERVICES INCLUDE, FOR INSTANCE, CONSUMABLES AND SUPPLIES, DISSEMINATION (INCLUDING OPEN ACCESS), PROTECTION OF RESULTS, SPECIFIC EVALUATION OF THE ACTION IF IT IS REQUIRED BY THE AGREEMENT, CERTIFICATES ON THE FINANCIAL STATEMENTS IF THEY ARE REQUIRED BY THE AGREEMENT AND CERTIFICATES ON THE METHODOLOGY, TRANSLATIONS, REPRODUCTION.</i></p>	<p><i>(When different offers were not collected the Auditor explains the reasons provided by the Beneficiary under the caption “Exceptions” of the Report. The Commission will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	
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Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
<b>E</b>	<b>USE OF EXCHANGE RATES</b>		
<b>E.1</b>	<p>a) For Beneficiaries with <u>accounts established in a currency other than euros</u></p> <p><i>The Auditor sampled .....cost items selected randomly out of a total of .....cost items and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement ( full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 items, or 10% of the total number of items, whichever number is highest):</i></p> <p><i>COSTS RECORDED IN THE ACCOUNTS IN A CURRENCY OTHER THAN EURO SHALL BE CONVERTED INTO EURO AT THE AVERAGE OF THE DAILY EXCHANGE RATES PUBLISHED IN THE C SERIES OF OFFICIAL JOURNAL OF THE EUROPEAN UNION</i>  <i>(<a href="http://www.ecb.int/stats/exchame/eurofXref/htmUindex.en.html">http://www.ecb.int/stats/exchame/eurofXref/htmUindex.en.html</a> ), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD</i></p> <p><i>IF NO DAILY EURO EXCHANGE RATE IS PUBLISHED IN THE OFFICIAL JOURNAL OF THE EUROPEAN UNION FOR THE CURRENCY IN QUESTION, CONVERSION SHALL BE MADE AT THE AVERAGE OF THE MONTHLY ACCOUNTING RATES ESTABLISHED BY THE COMMISSION AND PUBLISHED ON ITS WEBSITE</i>  <i>(<a href="http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm">http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm</a> ), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p> <p>b) For Beneficiaries <u>with accounts established in euros</u></p> <p><b>The Auditor sampled .....cost items selected randomly out of a total of .....cost items and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement ( full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 items, or 10% of the total number of items, whichever number is highest):</b></p> <p><i>COSTS INCURRED IN ANOTHER CURRENCY SHALL BE CONVERTED INTO EURO BY APPLYING THE BENEFICIARY 'S USUAL ACCOUNTING PRACTICES.</i></p>	<p>58) The exchange rates used to convert other currencies into Euros were in accordance with the rules established of the Grant Agreement and there was no difference in the final figures.</p> <p>59) The Beneficiary applied its usual accounting practices.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
<b>F</b>	<b>Indirect Costs (Article II.19.3 of the general conditions to the GA)</b>		
<b>F.1</b>	<p>The auditor confirmed that the flat rate applied on the Financial Statement(s) is consistent with the one provided in Annex II Article 19.3 of the ECGA (7% unless otherwise specified in Article I.3.2).</p> <ul style="list-style-type: none"> <li>The auditor recalculated the indirect costs claimed on the basis of the flat rate for arithmetical accuracy.</li> </ul>	60) the flat rate has been charged in accordance with Article II.19.3 of the ECGA and computed on direct eligible costs	
<b>G.</b>	<p><b>Ineligible costs (Article II.19.4 of the general conditions to the GA)</b></p> <p>The auditor verifies that the costs claimed in the Financial Statement(s) exclude ineligible items as defined in Article.II.19.4 of the general conditions to the GA</p>	61) no differences arose from the numerical reconciliation.	
<b>H</b>	<p><b>Identification of receipts.</b></p> <p>The Auditor examined the relevant project accounts and obtained representations from the Beneficiary that the amounts listed represent a complete record of the sources of income (income from events, rebates from suppliers, etc.) connected with the project. The amount included in the claim regarding receipts is the same as the amount recorded in the project accounting.</p>	62) no ineligible items as defined in Article II.19.4 are reported in the controlled Financial statements.	