



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR EDUCATION AND CULTURE

Culture and Creativity
Cultural diversity and innovation

ANNEX IV MODEL TERMS OF REFERENCE FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS PART II

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Part 2

Report of Factual Findings for an Expenditure Verification of a EU financed Grant Agreement

To be printed on letterhead paper of the Auditor

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

<Beneficiary's name>

<Beneficiary's address>

<dd Month yyyy>

Dear <Name of contact person(s)>,

In accordance with our contract dated <dd Month yyyy> with <name of the Beneficiary> “the Beneficiary” and the Terms of Reference attached thereto (Annex 1 of this Report), we provide our Report of Factual Findings (“the Report”), with respect to the annexed Financial Report you provided for the period covering <dd Month yyyy - dd Month yyyy> (Annex 2 of the Report). You requested certain procedures to be carried out in connection with the Grant Agreement concerning [title and number of the contract], the ‘Grant Agreement’. The Report consists of this letter and the Report details set out in Chapters 1 and 2.

Objective

Our engagement was an engagement to perform agreed-upon procedures, certificate on the financial statements, regarding the expenditure verification of the Grant Agreement between you and the European Commission. It involved performing certain specified procedures, the results of which the European Commission uses to draw conclusions from the procedures performed by us.

The objective of this expenditure verification is for the Auditor to verify that the expenditure claimed by the Beneficiary in the Financial Report for the action financed by the Grant Agreement has occurred (‘reality’), is accurate (‘exact’) and eligible and to submit to the Beneficiary the Report with regard to the agreed-upon procedures performed. Eligibility means that the funds provided by the grant were spent in accordance with the terms and conditions of the Grant Agreement.

Scope of Work

Our engagement was undertaken in accordance with:

- the Terms of Reference in Annex 1 to this Report and;
- 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 Commission requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

As requested, we have only performed the procedures set out in the Terms of Reference for this engagement and we have reported our factual findings on those procedures in Chapter 3 of this Report.

The scope of these agreed-upon procedures has been determined solely by the Commission and the procedures were performed solely to assist the Commission in evaluating whether the expenditure

claimed by the Beneficiary in the accompanying Financial Report has occurred ('reality'), is accurate ('exact') and eligible.

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 reports 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 the management of the Beneficiary in response to specific questions or as obtained and extracted from the Beneficiary's information and accounting systems.

In addition we received verbal representations from the Beneficiary's management which we did not obtain in writing [delete if received in written form.]

Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to <xxxxxx> €.

The Expenditure Coverage Ratio is <xx%>. This ratio represents the total amount of expenditure verified by us expressed as a percentage of the total expenditure which has been subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by the Beneficiary in the Financial Report (Annex 2) and declared by the Beneficiary in the <interim or final> Financial Report of <dd Month yyyy> introduced according to Article I.4 of the Grant Agreement.

Based on the agreed-upon procedures that we performed we found that expenditure amounting to <xxxx> € is not eligible. The details of our factual findings including a summary table of the expenditure that is not eligible are presented in Chapter 2 of this Report.

Use of this Report

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

This report is prepared solely for the confidential use of the Beneficiary 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 of the Special Conditions of the Grant Agreement. This report may not be relied upon by the Beneficiary 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 and the European Court of Auditors.

This Report relates only to the Financial Report specified above and does not extend to any other financial reports of the Beneficiary.

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,

<dd Month yyyy>

<Name of the Auditor>

Report Details

Chapter 1 Information about the Grant Agreement and the Action

[Chapter 1 should include a description of the Action concerned and the Grant Agreement, the beneficiary and key financial or budget information. The Auditor should also present a summary of the realised Action]

Chapter 2 Procedures Performed and Factual Findings

We have performed the procedures as agreed upon in the Terms of Reference for the certificate on the financial statements of the Grant Agreement concerning <title and number of the action/agreement> (see Annex 1). The factual findings of these procedures are set out under the categories below.

[Describe the results of procedures performed. Use supporting schedules as Annexes to the Report, if applicable.]

[Insert (if any): Details of exceptions:]

- 1 Obtaining a sufficient Understanding of the Action and of the terms and conditions of the Grant Agreement
- 2 Procedures to verify the Eligibility of Expenditure claimed by the Beneficiary in the Financial Statement for the Action

2.1 General Procedures

2.2 Conformity of Expenditure with the Budget and Analytical Review

2.3 Selecting Expenditure for Verification

2.4 Verification of Expenditure

- 2.4.1 Eligibility of Direct Costs
- 2.4.2 Accuracy and recording
- 2.4.3. Classification
- 2.4.4 Reality (Occurrence / existence)
- 2.4.5 Administrative (indirect) costs

2.5 Verification Coverage of Expenditure

- 2.5.1 Expenditure Coverage Ratio ('ECR').
- 2.5.2 Sufficient spread of the ECR over expenditure categories.

2.6 Verification of Revenues of the Action

Annex 1 Terms of Reference

Annex 2 Financial Report as provided by the Beneficiary