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TENDER SPECIFICATIONS

1. Background

The European Union has a general budget of EUR 135 billion. In addition to an administrative budget of some EUR 8 billion, this covers the following main areas of activity: sustainable growth, preservation and management of natural resources, citizenship, freedom, security and justice, and the EU as a world partner.

The EU Institutions, the Directorates-General (DGs) and services of the Commission, the Executive Agencies and Community Agencies, and the other Community bodies referred to in the Financial Regulation implement the budget using the management methods set out for each policy in the corresponding basic instrument.

The contracting authorities having access to the framework contract (herein after "user departments") are:
- DGs and services of the Commission,
- Institutions: Council, Ombudsman, Parliament, EEAS
- Executive agencies: CHAFEA, EACEA, EASME, ERCEA, INEA, REA
- Community agencies and other community bodies: ACER, BEREC, CdT, CEDEFOP, CEPOL, Clean Sky 2, EASA, EASO, EBA, ECDC, ECHA, ECSEL, EEA, EFCA, EFSA, EIGE, EIOPA, EIT, EMA, EMCDDA, EMSA, ENISA, ERA, ESMA, ETF, Eu-LISA, EU-OSHA, EUROFOUND, EUROJUST, EUROPOL, F4E, FCH JU, FRA, FRONTEX, GSA, IMI JU, SESAR, SHIFT2RAIL,

The "classical" assignments related to controls and audits

In the context of their control structure, the user departments mainly carry out audits and controls of financed operations. These controls are in addition to ex ante controls, in other words controls before the approval of the transactions. The audits and controls are extremely varied as they can be conducted at any time during the performance of the programme or project and can concern the beneficiaries, projects, transactions or even the systems. The audits to be carried out can be financial audits or agreed-upon-procedures audits and can include other types of audit (systems, performance, detection, etc.). In addition to the deterrent effect of the audits and the corrections once the errors are detected, they contribute also to increase the level assurance of the responsible authorising officer.

The choice of the audit and control strategy, which is the exclusive responsibility of the user departments, is largely dependent on the control environment (management method, nature of

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1 Could also access any other executive agency that might be established before the end of the framework contract drawn up.

2 Could also access any other Community bodies that might be established before the end of the framework contract drawn up.

3 Audits can sometimes take place prior to payment, for instance systems audits.
expenditure, risks inherent to regulation, type of beneficiary, population distribution, amounts, type of controls carried out by the competent authorising officer, etc.). Whether the community funds are managed directly or indirectly influences the manner in which the assurance will be acquired during the audits and controls. Some audits and controls are outsourced. This invitation to tender is therefore aimed at concluding a framework contract that will enable the user departments to draw on such expertise.

In parallel the expertise of contractors is necessary to improve the procedures related to audits and controls and their implementation by the user departments. This **consulting in the area of audit and controls** can for example concern the way the beneficiaries are selected in helping to the definition of criteria or the optimal size of a sample to reach a aimed level of confidence.

**A new area for expertise in comparison to previous framework contract**

Certification of annual accounts: According to Article 208(4) of the Financial Regulation\(^4\) (FR) all Community Agencies have to use the services of an independent external auditor who shall verify the annual accounts of each of the bodies referred. In addition, according to the Article 208(1) of the FR "The Commission shall be empowered to adopt a framework financial Regulation by means of a delegated act in accordance with Article 210 for bodies which are set up under the TFEU and the Euratom Treaty and which have legal personality and receive contributions charged to the budget"

The European Court of Auditors (ECA) has provided the template specifications for the **certification of the annual accounts; cf point 3.2**. For evident reasons of consistency and in order to gain sufficient assurance from these audits the room for adaptation of the specifications is strictly limited and will be copy pasted for the reopenings of competition.

2. **Nature of the contract**

The aim of this procurement procedure is to provide user departments with a **multiple framework contracts with reopening of competition** for technical assistance services in the field of audits and controls. The draft framework contract is provided as part of the tender document.

Tenderers' attention is drawn to the fact that the framework contract **does not constitute placement of an order** but is merely designed to set the legal, financial, technical and administrative terms governing relations between the contracting parties during the contract term. Orders may be placed solely on the basis of specific contracts in accordance with the provisions of Annex III to the draft framework contract.

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Signature of the framework contract does not commit the Commission to placing orders and does not give the contractor any exclusive rights regarding the services covered by the framework contract. In any case, the Commission reserves the right, at any time during the framework contract, to cease placing orders, without the contractor having the right to any compensation.

A **multiple framework contract** is a procedure whereby identical contracts are concluded separately between the Commission and a number of contractors. A maximum of eight tenderers will be awarded based on the criteria and procedure set out in points 9.

When a user department wishes to procure services under the framework contracts, it will act by **reopening competition** in accordance with the provisions set out in Article I.4 of the draft framework contract. If a contractor identifies at the stage of the request for services a conflict of interests, he must consider if it is linked to a personal situation or a professional one. In both cases, the situations should be signaled. In the first case, mitigating measures could be proposed by the contractor. In the case of a professional conflict, no offer will be submitted for this specific contract.

Any collusion between contractors will be considered as grave professional misconduct (Article (106)(1)(c) of the FR). Without prejudice to Art II.14, administrative and/or financial penalties may be applied pursuant Art 109(1) of the FR.

### 3. Subject of the contract

The activities concerned are described in such a way that they can be used as the specification during the reopening of competition. Grant agreements are sometimes explicitly referred to as they account for a large proportion of the audits carried out, but contracts and other financing means can also be audited on the basis of this framework contract.

Please note that the **externalisation of "internal audit"** is excluded from the scope of this framework contract. Therefore, the external contractor cannot be asked by the authorising officer of the related specific contract to provide an independent, objective assurance on the procedures implemented in his/her organisation.

The following activities are envisaged:

#### 1.1. Financial audit

The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; the level of confidence required is usually 95%.

Tasks to be performed will be the following:

- to carry out an examination of the reliability of the financial statements
- to assess whether procedures used concerning the accounting system are reasonable and

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in accordance with the regulations and rules
to confirm that accounting records are properly kept

The audit will be carried out in line with International Standard on Auditing 2006.

1.2. Certification of annual accounts of agencies or joint undertakings

PURPOSE OF THE ORDER

Subject of this reopening of competition is the conclusion of a specific contract with one independent external audit firm (audit firm). The audit firm shall audit the annual provisional and final accounts for the financial year ended 31/12/[n] for [Agency's / JU’s name and location]. This assignment will be a 2 years exercise of certification; the awarded tenderer will audit 2 financial years in a row.

GLOSSARY & ACRONYMS

Annual accounts: The annual accounts comprise the financial statements and the budget implementation reports. Provisional annual accounts are to be prepared by 1/3/[n+1], final annual accounts by 1/7/[n+1].

Audit firm: The audit firm that has been awarded a contract, has signed the contract and is providing the audit service

Budget implementation reports: The budget implementation reports comprise the budget outturn account and its annex

EC: European Commission (http://ec.europa.eu/index_en.htm)

ECA: The European Court of Auditors (http://www.eca.europa.eu/en/Pages/ecadefault.aspx)

EU: European Union (http://europa.eu/index_en.htm)

Financial statements: The financial statements include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in capital and the annex to the financial statements, which includes a description of the main accounting policies and other explanatory information


IFRS: International Financial Reporting Standards issued by the

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IPSAS: International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board, hosted by the International Federation of Accountants (IFAC: http://www.ifac.org/public-sector)

ISA: International Standards of Auditing issued by the International Auditing and Assurance Standards Board, hosted by the International Federation of Accountants (IFAC: http://www.ifac.org/auditing-assurance)

ISSAI: International Standards of Supreme Audit Institutions issued by the International Organisation of Supreme Audit Institutions (INTOSAI: http://www.issai.org)

SAR: The ECA’s Specific Annual Reports (http://www.eca.europa.eu/en/Pages/AuditReportsOpinions.aspx)

SPECIFICATION

SERVICE TO BE PROVIDED

The following technical specifications explain the service to be provided by the audit firm.

The service to supply is the financial audit of [Agency's / JU's name] for the financial year [n], which comprises providing the audit firm’s opinion on the reliability of the Agency’s / Joint Undertaking’s provisional and final annual accounts; this audit opinion is in accordance with ISA 700.

The audit objective is thus to obtain reasonable assurance and to draw an opinion on the reliability of the Agency’s / Joint Undertaking’s [year n] provisional and final annual accounts. These comprise the financial statements and the budget implementation reports. The Agency / Joint Undertaking has to produce accounts on the basis of the FR and the accounting rules issued by the EC Accounting Officer, taking into account also IPSAS and the IFRS. The financial statements include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in capital and the annex to the financial statements, which include a description of the main accounting policies and other explanatory information. The budget implementation report comprises the budget outturn account and its annex.

Materiality threshold used by the ECA when formulating its opinion on the financial statements is 2 % of the balance sheet total or 25 % of a given heading with a minimum of 0.5 % of the total balance sheet.

The audit will be carried out in compliance with ISA and ISSAI.
QUALITY CONTROL ARRANGEMENTS

The audit firm which performs this audit is governed by:


The IFAC Code of Ethics for Professional Accountants (issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards (http://www.ifac.org/Ethics/);

The IFAC International Standards on Quality Control (ISQCs), which establish standards and provide guidance on an Auditor's system of quality control.

The official contact point to be used in all correspondence with ECA will be communicated to the contractors.

The ECA will be notified immediately by the audit team leader and kept informed of significant issues arising and/or problems encountered.

The audit working papers/files shall be reviewed by a partner of the audit firm to ensure sufficient documentation of the audit work carried out and the reliability of audit results.

Ownership of the audit working papers shall rest with the audit firm. The ECA shall have access to the audit firm’s working papers at any time, also for reasons of quality control. The ECA may take copies of the working papers.

In accordance with International Standards of Auditing and Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts, the outgoing audit firm shall provide the incoming audit firm with access to all relevant information concerning the audited entity.

The ECA will review the audit work of the audit firm in accordance with ISA 600/ISSAI 1600 (http://www.intosai.org/en/issai-executive-summaries/view/article/issai-1600-special-considerations-audits-of-group-financial-statements-including-the-work-o.html). The review by ECA may include an analysis of:

standard audit procedures applied (e.g. circularisation and matching of confirmations from suppliers, banks, lawyers; cut-off procedures; inventory and depreciation of assets etc.);
the mitigation of Agency's / Joint Undertaking's specific audit risks (e.g. the correct recording of grant related recoveries);
the documentation of the audit work;
the quality reviews carried out by the audit firms; and
any other verifications that the Court may require in relation to professional qualifications, independence, professional competence, resources and quality control processes of the audit firm.

The ECA will be fully involved in the discussion of audit findings between audit firm and Agency / Joint Undertaking and informed about any adjustments of the provisional accounts (also such that might not result from audit findings).

**AUDIT TEAM**

1. The audit team shall consist of at least a team leader (minimum Manager defined in point 9.2) and one additional qualified auditor (minimum Senior). The team must have sufficient experience of performing financial audits.

2. Team Members must be able to work in English.

3. The audit firm must assign suitably qualified staff to carry out audit work in accordance with the quality specifications outlined in this agreement. Documentary evidence of staff qualifications should be provided.

**AUDIT PROCEDURE**

The ECA will provide the audit firm information on previous years’ audit findings in order to facilitate audit planning and the follow-up of previous years’ audit findings. The audit firm will remain available after the audit to provide the ECA with any information and explanations that might be needed by the ECA to conclude its SAR.

The audit will be carried out as follows:

**Preparation of the audit:** As soon as the contract is signed, the audit firm may start the planning of the audit by collecting necessary information from the ECA and the Agency / Joint Undertaking and discussing pertinent matters with ECA officials and Agency’s / Joint Undertaking’s staff.

**Implementation of the audit:** The audit firm will verify the conformity of the accounts with the applicable provisions as set out in section 3. Service to be provided. The Agency / Joint Undertaking will grant the audit firm access to its premises and to all data, information and documents needed to gain the necessary audit evidence.

**Reporting:** The audit firm will provide to the ECA and the Agency / Joint Undertaking, in the English language, written reports on the audit, presenting its opinion on the reliability of the provisional and final accounts and matters of importance that did not require a modification of the audit opinion (e.g. management letter). Upon request by the ECA, the audit firm shall immediately submit evidence to the ECA in support of any findings raised. The ECA may also ask for any other audit evidence in relation to the audit firm’s opinion on the accounts.

**DATA PROTECTION**

All information provided to the audit firm by the ECA or the Agency / Joint Undertaking shall be treated in strict confidentiality.
Without prejudice to or limitation of the above, the audit firm is required in the performance of the Contract to observe the following security standards.

Any communications with the ECA and the Agency / Joint Undertaking will be in a medium appropriate to the nature of the content of those communications.

The audit firm in discharging the obligations under the Contract must comply with the ECA’s policy on Data Collection.

REFERENCES

1. The [Agency's / JU's name] was set up by [...] with the objective to [...]. Its main tasks are to [...].

2. According to Art. [...] of the Agency’s / Joint Undertaking's Financial Regulation, the Agency / Joint Undertaking has to prepare annual accounts. Financial reporting period is the calendar year [n]. According to Art. [...], provisional accounts are to be presented by 1 March and final accounts by 1 July of the following year [n+1].

3. The ECA is the external auditor of the European Union. In line with the requirements of Article 287(1) TFEU and Article [...] of the Agency’s / Joint Undertaking’s Financial Regulation, the ECA shall prepare annually a SAR on the Agency / Joint Undertaking’s. The SAR provides a basis for the discharge procedure by Parliament and Council which concludes the annual budgetary process. A central part of the SAR are the ECA’s Statements of Assurance on the reliability of the (final) annual accounts and on the legality and regularity of the underlying transactions.

4. Article 208(4) of the FR requires that an audit firm shall verify that the annual accounts of European Agencies properly present their income, expenditure and financial position prior to the consolidation in the Commission’s final accounts. The ECA, in preparing this report shall consider the audit work performed by the audit firm and the action taken in response to its findings.

SCHEDULE OF REPORTS

The audit firm must commit to achieving the deadlines for the audit calendar as follows:
1.3. Agreed-upon-procedures (AUP):

This expenditure verification is an engagement to perform certain agreed procedures with regard to the Financial Report for the grant agreement. Verification means that the auditor examines the factual information in the beneficiary's financial report and compares it with the terms and conditions of the grant agreement. As this mandate does not include assurance, the auditor does not provide any audit opinion or assurance. The user department assesses for itself the factual findings reported by the auditor and draws its own conclusions from these findings. The auditors are not permitted to reduce the checks below those specified by the Commission: full coverage if less than 20 items, otherwise a sample of minimum 20, or 20% of the items, whichever is the greater; this requirement applies to the categories of costs which are: personnel, subcontracting, other direct costs.

The audit will be carried out in line with ISRS 4400 Engagements to perform Agreed-Upon-Procedures regarding financial information

The list of specific procedures to be followed is given below (for guidance only because the list should be adapted to take into account the specificities of the sectorial legislation):

1.1.1. General Procedures

1.1.1.1. Financial report relating to the grant agreement

The auditor checks that the financial report complies with the following conditions:

- the financial report must comply with the model grant agreement;
- the financial report must cover the entire measure, regardless of whether it is wholly financed or co-financed by the Commission;
- the financial report must be drawn up in the language mentioned in the grant agreement.

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Rules on accounting and bookkeeping

The auditor must check that the beneficiary has complied with the following rules on accounting and bookkeeping set out in the general conditions of the grant agreement:

- the accounts kept by the beneficiary for the implementation of the measure must be accurate and up-to-date;
- the accounts and expenditure relating to the measure must be easily identifiable and verifiable.

1.1.1.2. **Comparison between the financial report and the beneficiary’s accounting system and accounts**

The auditor compares the information in the financial report with that in the beneficiary’s accounting system and records (e.g. trial balance, general ledger accounts, sub-ledgers, etc.).

1.1.1.3. **Exchange rate**

The auditor verifies that expenditure incurred in a currency other than the euro has been converted at the exchange rate which is published in the JO for the reporting period.

1.1.2. **Procedures to verify compliance of expenditure with the budget and analytical review**

1.1.2.1. **Budget for the grant agreement**

The auditor carries out an analytical review of the expenditure headings in the financial report.

The auditor verifies that the budget in the financial report corresponds with the budget of the grant agreement (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the grant agreement.

1.1.2.2. **Amendment of the budget for the grant agreement**

The auditor checks whether there have been amendments to the budget of the grant agreement. Where this is the case, the auditor checks that the beneficiary has:

- asked for an amendment to the budget and obtained a supplementary agreement to the grant agreement, where this was necessary;
- informed the Commission of the amendment when this was limited and when a supplementary agreement was not necessary.

1.1.3. **Procedures to verify selected expenditure**

1.1.3.1. **Eligibility of costs**

The auditor verifies the eligibility criteria set out below for each expenditure item selected.

1) Costs actually incurred
The auditor checks that the expenditure for a selected item was actually incurred by and concerns the beneficiary. For this purpose the auditor examines supporting documents (e.g. invoices, contracts) and proof of payment. The auditor also examines proof of work done, goods received or services rendered and verifies the existence of assets where applicable.

2) Cut-off - Implementation period
The auditor checks that the expenditure for a selected item was incurred during the implementation period of the action.

3) Budget
The auditor checks that the expenditure for a selected item was indicated in the budget for that measure.

Expenditure necessary under the grant agreement for the measure
The auditor checks whether the expenditure relating to a selected item was, in all likelihood, necessary for implementing the measure.

4) Account statements
The auditor verifies that expenditure for a selected item is recorded in the beneficiary's accounting system in accordance with the accounting standards applicable in the country where the beneficiary is established and the beneficiary's usual accounting practices.

5) Justified expenditure
The auditor checks that the expenditure relating to a selected item is substantiated by evidence and in particular by the supporting documents specified in the general conditions in the grant agreement.

6) Determination of value
The auditor checks that the monetary value of a selected expenditure item is in line with the supporting documents (e.g. invoices, salary statements) and that the right exchange rates are used where applicable.

7) Classification
The auditor examines the nature of the expenditure for a selected item and checks that the expenditure item has been classified under the correct (sub)heading of the financial report.

8) Compliance with procurement rules
The auditor examines which procurement rules apply to a given expenditure (sub)heading, category or item. The auditor checks whether the expenditure was incurred in accordance with these rules by examining the supporting documents for the procurement and purchase process. Where the auditor finds cases of non-compliance with procurement rules, he/she reports the nature of the cases and their financial impact in terms of ineligible expenditure.

1.1.3.2. Eligibility of direct costs

If the expenditure for a selected item is recorded under one of the direct cost headings of the financial report, the auditor checks that this type of expenditure is covered by the direct costs as defined in the grant agreement by examining the nature of the expenditure items concerned.
1) Provision for contingencies

The auditor checks that the provision for contingencies does not exceed the envisaged percentage of direct eligible costs of the measure and that the beneficiary has obtained prior written authorisation from the contracting authority for the use of this contingency reserve.

2) Administrative costs

The auditor checks that the indirect costs representing overheads do not exceed the envisaged percentage of total direct eligible costs for the measure.

3) Contributions in kind

The auditor checks that the costs in the financial report do not include contributions in kind. Contributions in kind do not constitute eligible costs.

4) Non-eligible costs

The auditor checks that the expenditure for a selected item does not concern a non-eligible cost as described in the general conditions. The auditor checks whether expenditure includes certain taxes, in particular VAT. If so, the auditor checks that the beneficiary (or, where applicable, the partners) cannot reclaim these taxes and that the applicable regulations, rules and practices in the country concerned allow these taxes to be included in expenditure.

5) Revenue

The auditor examines whether revenue which should be attributed to eligible costs (including grants and funding received from other donors and other revenue generated by the beneficiary in the context of the measure, such as interest earned) have been declared in the financial report. To this end, the auditor seeks information from the beneficiary and examines the documents submitted by it. The auditor is not expected to examine all the revenue reported.

1.4. Systems audit:

The auditor produces an opinion based on reasonable assurance that legal requirements have been complied with and the audited system functions effectively.

The audit will be carried out in line with The International Standards of Supreme Audit Institutions, ISSAI 4000 - 42008.

1.5. Performance audit

The auditor examines to what extent the audited entity has, in performing its tasks, used the funds received in accordance with the principles of economy, efficiency and effectiveness.

The audit will be carried out in line with The International Standards of Supreme Audit Institutions, ISSAI 3000 – 31009

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8 [http://www.issai.org/media/13513/compliance_audit_guidelines_e.pdf](http://www.issai.org/media/13513/compliance_audit_guidelines_e.pdf)
1.6. Consulting on methodology for audits and controls

Assistance to the various user departments in the context of internal control systems

Development of methods, tools and techniques: external validation of the methods, tools and techniques developed or planned within the area of controls and audits;

Support with implementation and adaptation: external support for the implementation of these methodologies, tools and techniques, or their adaptation to the specific environment.

1.7. Certification due regards conformity with norms

The contractor is expected to provide expert knowledge and analysis of the processes described, including governance, risk management and internal controls aspects.

The contractor will be required to (i) gather and analyse preliminary information prior to the visit, (ii) conduct appraisals and express opinions as to the compliance with the relevant international standards and/or requirements defined in the audit plans, (iii) assess and as far as possible quantify the impact and severity of any deficiencies found where full compliance is not achieved (iv) present recommendations that may improve compliance, effectiveness and efficiency, (v) review the action plans submitted by the auditee to assess its appropriateness to address the recommendations raised.

1.8. Assessment of conformity with internal auditing standards

The contractor is expected to provide an external quality assessments or reviews to assess conformity with international auditing standards such as those of the IIA, INTOSAI, etc.

For the Commission, only the Internal Audit Service (IAS) will ask for those services.

1.9. Ad hoc audit

This category of audits covers all kind of audits and controls falling in the scope of point 2, which have not been listed above and which are not in contradiction with the exclusion of internal audit assignments (introductory paragraph of point 3).

For example, it could cover the following activities:

Detection audit: the purpose of this audit is to confirm or reject suspected fraud.

Ex post document inspections (after payment) of financial transactions (interim or final payment) with a view to checking the exact amounts already paid in order to establish an error rate at the level of the population

1.10. Specifications common to all types of audit

1.10.1. Standards and ethics

9 http://www.issai.org/media/13517/performance_audit_guidelines_e.pdf
The Code of Ethics for Professional Accountants produced and published by the IFAC's International Ethics Standards Board for Accountants (IESBA); http://www.ifac.org/ethics. This Code sets out fundamental ethical principles for auditors concerning integrity, objectivity, independence, professional competence, the duty to exercise due care and diligence, confidentiality, professional behaviour and technical standards. Although ISRS 4400 concerning engagements to perform agreed-upon procedures does not include independence as a criterion for missions based on agreed procedures, the contracting authority requires the auditor to be independent from the beneficiary and to comply with the independence conditions laid down in the IFAC’s ethics code for professional accountants.

1.10.2. Subject of the audit
The audit could concern various aspects: the project, the beneficiary, the system, transaction, etc. depending on the needs of the contracting authority.

Please note that audits and controls may, at the Commission's request, be carried out on documents and/or on the spot, and may be carried out either before or after the final payment to the beneficiary by the department concerned. Audits and inspections of documents may be carried out in any place where the funds in question are managed or used; the geographical scope is therefore worldwide.

The specific contract should specify what the audit will cover (subject and location).

1.10.3. Reference material
The user department must make available all the documents the auditor needs to carry out the audit: legal bases, agreements, contracts, financial documents, any reports, correspondence and e-mails, information connected with the entity being audited plus any other relevant document.

1.10.4. Evidence and documents
The auditor must record important questions in the working papers and collect evidence on which to base his opinion / findings and which provide evidence that the audit was carried out in accordance with the International Audit Standards.

The auditor must prepare working papers which are sufficiently complete and detailed to provide an overall understanding of the audit.

The auditor must record in his working papers all the information relating to the planning, nature and schedule of the audit and the scope of the audit procedures carried out, together with the result of these procedures and the conclusions which can be drawn from the evidence collected.

The auditor must adopt appropriate procedures guaranteeing the confidentiality and security of the working papers, and their storage, for a sufficient period of time, in line with Article II.18 of the draft framework contract in Annex. The user department can consult the working papers relating to a specific contract on request.
As a beneficiary of EU funds, the contractor can also be audited either by the staff of the user department or an external contractor.

1.10.5. Drafting of the audit report

The report should describe the purpose, the procedures used and the factual findings in sufficient detail to enable the audited entity and the user department to understand the nature and extent of the procedures performed by the auditor and the factual findings by the auditor and any comments by the audited entity.

A draft version, if requested in the specifications used for the reopening of competition, could be sent to the user department prior to the adversarial procedure with the audited entity.

A model report could be provided in the specifications used for the reopening of competition by the user department.

1.10.6. Sound financial management approach to carrying out audits

Where possible, the contractor must use work already completed and made available by the user department in order to minimise the extent of the work to be carried out.

1.10.7. Approach taking account of the risk of fraud

When preparing the audit, the contractor must take account of the inherent risk of fraud (sectoral regulation, place where the beneficiary provides the service, nature of the beneficiary, etc.).

1.10.8. Quality control

The contractor must introduce internal procedures to ensure the quality of the deliverables (substance): accuracy of the figures, audit trail, unambiguity of the findings and the conclusions and compliance with the specifications issued for the reopening of competition.

1.10.9. Continuity of service

The contractor must take the necessary measures to prevent discontinuity in the provision of the service. Continuity of service covers various aspects including the transfer of knowledge and documents when there is a change of expert, the availability and competence of the experts, the use of a back-up for key functions arising from the performance of the framework contract and specific contracts, storage and access to working documents regardless of the support, plus planning and monitoring of work.

As described under point 5.2, the tenderer shall propose, based on his own technical choices, how to ensure that information is communicated in real time, for instance via an information exchange platform; for example, the summary table of the work could be in a shared database.

1.10.10. Training of experts
The contracting authority requires that all the experts get familiar with the applicable legislation, all the documents which are provided in support of the specific contract and which are needed to carry out the audit. In the event of a delay arising from a shortcoming in the above requirements, the damages set out in Article I.11 of the framework contract will be applied to the specific contract concerned.

1.10.11. Adversarial procedure with the audited entity

Before completing the audit report, an adversarial procedure will be formally carried out with the audited entity. The auditor will inform the audited entity of the potential implications if the user department pursues the conclusions in the audit report. Any discrepancies between the positions of the audited entity and the auditor must be clearly stated and can if necessary give rise to complementary work under the framework defined by the specific contract before the report is accepted by the user department.

4. Duration and place of performance of the framework contracts

The duration of the framework contract will be one year from the date of signature by the last of the contracting parties, with the possibility of up to three automatic extensions in accordance with the provisions set out in the draft framework contract.

The Commission explicitly reserves the right not to renew the contract.

The services assigned to contractors under this procedure will, depending on their nature, be carried out on the contractor's premises and outside them, whether in Brussels / Luxembourg, Europe (as defined in point 9.3.2) or elsewhere in the world.

5. Provisions on progress monitoring

5.1. Reporting

5.1.1. Progress reports in the context of managing the framework contract

The following reports must be produced on all the work carried out by a contractor in performance of the framework contract. Contractors who have signed a specific contract must supply DG Budget, at the address indicated in Art. I.7 of the framework contract in Annex, by electronic mail as follows:

5.1.2. Interim activity reports

Every three months, the contractor must submit a spreadsheet listing the state of play of all signed assignments. The assignments are identified through the specific contract number attributed by DG Budget. For each specific contract, the following information must be provided:
• the user department and contact person,
• the date of signature of the contract,
• a summary of the deliverables,
• the number of audits carried out,
• the contractor's contact person,
• the maximum amount of the contract,
• the end date of execution of tasks,
• a statement of payments,
• the state of play of the whole assignment (ongoing, implemented, paid),
• the state of play of every single audit part of the batch and
• any comments to clarify a problem or the reasons for a delay;

The reports must be sent to DG Budget via email within 30 days of the end of the reference period.

5.1.3. Final activity report

One month before the end of the 4 year period after the signature of the framework contract at the latest, the contractor must also submit a final activity report containing:

• an updated interim activity report, and
• a narrative report highlighting the lessons that should be retained in terms of functioning of the internal control system of the different nature of user departments (DGs and services, executive agencies, traditional agencies and joint undertakings). The report will put in perspective the evolution of the maturity.
Ten months after the end of the framework contract, the contractor must also submit the final activity report in line with the structure described above. All the assignments will be finished in compliance with article I.2.4 of the framework contract.

The cost of producing the above reports must be included in the unit prices of the financial tender; DG Budget will not participate in any way in the expenditure incurred, whether it relates to the drafting, production or distribution of the reports required.

5.1.4. Performance reports to be submitted to the user departments for each specific contract

Save where the specific contracts contain provisions to the contrary, the contractor must report on the services rendered in performing the specific contracts, and send user departments one paper copy of the report and one copy by electronic mail.

The procedures relating to the deadlines for submitting the interim reports and final reports for specific contracts and their contents are laid down in each specific contract.

The cost of producing the above reports must be included in the unit prices of the financial offer for the specific tender.

5.2. Practical arrangements for the exchange of information
The reporting arrangements described in point 5.1 of the specification are the minimum arrangements.

The tenderer shall propose (cf point 3.10.9), based on his own technical choices, how to ensure that information is communicated in real time, for instance via an information exchange platform; for example, the summary table of the work could be in a shared database.

5.3. Progress meetings

**Progress meetings** between the project leader assigned by the tenderer and DG Budget on the quality of the services provided under these contracts will be held on the Commission’s premises in Brussels.

A meeting will be held after two years and will monitor the progress of the work and compliance with the procedures and with the quality criteria.

These follow-up meetings will provide an opportunity to ensure that the following contractual commitments are being met:

- compliance with quality standards;
- compliance with the procedures in this specification;
- compliance with deadlines;
- quality of contract administration;
- quality of services provided;
- quality of deliverables.

Meetings between DG Budget and each contractor separately could be organised in case of difficulty of implementation such as recurrent late delivery of audit reports.

The cost of these meetings must be included in the unit prices of the financial tender.

6. Provisions relating to tenders

Each tender must cover **all the tasks listed in point 3.** Bidding for only some of the tasks will lead to the rejection of the tender.

**Tenders must:**

- include all the documentation and information required for:
  - verification of exclusion criteria (cf. point 9.1),
  - verification of the capacity of tenderers based on the selection criteria (cf. point 9.2), and
  - evaluation of tenders on the basis of the award criteria (cf. point 9.3);
- include the price offer, in accordance with points 7 and 9.3.2;

Variants are not permitted.
Expenses incurred in respect of the preparation and presentation of tenders are non-refundable.

All the documents submitted by tenderers become the property of the user departments and will remain confidential.

7. Estimated volume, maximum value and prices of the framework contract

7.1. Estimated volume and maximum value of the framework contract

The volume of the framework contract is estimated at roughly 3,658 audits.

On the ground of experience in the management of previous framework contract and needs expressed by services, the breakdown of audits for the 4 years could be the following:

The maximum amount for the total duration of the framework contract (4 years) is 36,580,000 EUR.

The Commission reserves the right to use a negotiated procedure for increasing the ceiling of the framework contract based on Article 134(1)(f), of the Rules of application of Financial Regulation.\(^\text{10}\).

7.2. Prices

Tenderers must fill in the table in point 9.3.2.

Prices must be quoted in EUR.

Prices must be net of taxes and duties, as the European Union is exempt from customs duties, indirect taxes and other dues under Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Union.

Those prices will be the maximum prices that the contractor will be allowed to charge for the implementation of the specific contracts.

8. Identification of the tenderer, joint tenders and subcontracting

The tender must include a cover letter presenting the name of the tenderer (including all entities in case of a joint tender) and identified subcontractors if applicable, and designate a single point of contract in relation to this tender.

A joint tender is a situation where a tender is submitted by a group of economic operators (consortium). Joint tenders may include subcontractors in addition to the joint tenderers.

In case of joint tender, the cover letter must be signed by a duly authorised representative for each tenderer, or by a single tenderer duly authorised by other tenderers (with power of attorney).

All economic operators in a joint tender assume joint and several liability towards the contracting authorities for the performance of the contract as a whole. After the award, the contracting authorities will sign the contract either with all members of the group, or with the member duly authorised by the other members via a power of attorney. The consortium shall nominate one legal entity ("the leader") who will have full authority to bind the consortium and each of its members, and will be responsible for the administrative management of the contract (invoicing, receiving payments, etc.) on behalf of all other entities.

Subcontracting is permitted in the tender but the contractor will retain full liability towards the contracting authorities for performance of the contract as a whole. Tenderers must give an indication of the proportion of the contract that they intend to subcontract. Tenderers are required to identify subcontractors whose share of the contract is above 5%. Subcontractors must provide a letter of intent stating their willingness to provide the service foreseen in the offer and in line with the present tender specifications.

In order to prove their legal capacity and their status, all tenderers must provide a signed Legal Entity Form with its supporting evidence. The form is available on: http://ec.europa.eu/budget/contracts_grants/info_contracts/legal_entities/legal_entities_en.cfm

Tenderers that are already registered in the Contracting Authority’s accounting system (i.e. they have already been direct contractors) must provide the form but are not obliged to provide the supporting evidence.

The tenderer (or the single point of contact in case of joint tender) must provide a Financial Identification Form and supporting documents. Only one form per offer should be submitted (no form is needed for other joint tenderers and subcontractors). The form is available on: http://ec.europa.eu/budget/contracts_grants/info_contracts/index_en.cfm

Tenderers must provide the following information if it has not been included with the Legal Entity Form:

- For legal persons, a legible copy of the notice of appointment of the persons authorised to represent the tenderer in dealings with third parties and in legal proceedings, or a copy of the publication of such appointment if the legislation which applies to the legal entity concerned requires such publication. Any delegation of this authorisation to another representative not indicated in the official appointment must be evidenced.

- For natural persons, where applicable, a proof of registration on a professional or trade register or any other official document showing the registration number.
9. Procedure for selecting tenderers and evaluating tenders

Tenderers and their tenders will be evaluated in stages as follows:

**NB:** Tenders must meet the requirements of each stage in order to be admitted to the next stage of the evaluation procedure.

9.1. Verification of exclusion criteria

All tenderers shall provide the declaration on their honour in Annex, duly signed and dated by an authorised representative, stating that they are not in one of the situations of exclusion listed in the Annex.

The declaration on honour is also required for identified subcontractors whose intended share of the contract is above 5%.

The successful tenderer shall provide the documents mentioned as supporting evidence in the declaration on honour in Annex before signature of the contract and within a deadline given by the contracting authority. This requirement applies to all members of the consortium in case of joint tender and to identified subcontractors whose intended share of the contract is above 5%.

9.2. Selection of tenderers

The procedure for the selection of tenderers is intended to assess their economic, financial, technical and professional capacity to carry out the contract. Selection criteria are applied at the level of the group of service providers. The evidence requested should be provided by each member of the group in case of joint tender and identified subcontractor whose intended share of the contract is above 5%. However a consolidated assessment will be made to verify compliance with the minimum capacity levels.

The tenderer may rely on the capacities of other entities, regardless of the legal nature of the links which it has with them. It must in that case prove to the Contracting Authority that it will have at its disposal the resources necessary for performance of the contract, for example by producing an undertaking on the part of those entities to place those resources at its disposal.

Tenders submitted must include the following information:

- a list of at least 10 audits, each one invoiced over EUR 10 000, with at least one audit of each of the following types:
  - financial audit,
  - certification of accounts,
  - agreed procedure, systems audit, and performance audit.

The provision of services directly relevant to the tender submitted must have been provided within the last three years. The list will include the amount, date and public or private recipients of the services:
• if supplied to contracting authorities, evidence must be provided in the form of certificates issued or countersigned by the competent authority;
• if supplied to private purchasers, provision of service is to be certified by the purchaser or, failing this, simply declared by the tenderer to have been provided;
• The audit firm must ensure that their own standards in relation to all security matters including, but not limited to, physical security, data security, and virus protection shall be in accordance at all times with the highest possible standards, best industry practice, and any relevant legislation or code of practice with which they are bound to comply.

• CVs fulfilling the following requirements:

<table>
<thead>
<tr>
<th>Numbers of CVs to provide</th>
<th>Minimum experience in auditing</th>
<th>Minimum experience in managing(^\text{11})</th>
<th>Certified auditor(^\text{12})</th>
<th>Languages(^\text{13})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior</td>
<td>5</td>
<td>1 year</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>Senior</td>
<td>5</td>
<td>5 years</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Manager</td>
<td>5</td>
<td>10 years</td>
<td>5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Partner</td>
<td>2</td>
<td>15 years</td>
<td>10 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Specialist</td>
<td>2</td>
<td>10 years</td>
<td>None</td>
<td>Yes</td>
</tr>
</tbody>
</table>

• a statement of overall turnover and turnover in respect of the services to which the contract relates for the previous three financial years. Yearly turnover must be over EUR 15 million\(^\text{14}\).
• evidence of professional indemnity insurance;
• evidence of affiliation to a body such as the IFAC (International Federation of Accountants), the IIA (Institute of Internal Auditors) or equivalent..

\(^{11}\) A team of at least 5 persons.

\(^{12}\) Certified Internal Auditor (CIA) (https://na.theiia.org/certification/CIA-Certification/Pages/CIA-Certification.aspx), or equivalent.

\(^{13}\) Minimum of level C1; https://europass.cedefop.europa.eu/en/resources/european-language-levels-cefr

\(^{14}\) In case of joint tender and/or subcontracting, the requirement of a turnover over 15 million € applies globally (consolidated capacities of the partners in the joint tender and/or subcontracting).
9.3. Evaluation of the tenders on the basis of the award criteria for awarding the framework contract

9.3.1. Qualitative evaluation

Tenders will be evaluated on the basis of the following award criteria:

- The experts must have received sufficient and adequate training (40 points) in accordance with point 3.10.10 of the specification;
- Measures to avoid discontinuity of services (20 points) in accordance with point 3.10.9 of the specification;
- Measures to guarantee the highest quality level of the deliverables; content, format, languages in accordance with point 3.10.8. (40 points).

The figures in brackets indicate the maximum score that can be attributed to each individual criterion.

The maximum quality score is 100 points. Tenders which do not obtain at least 50% of the maximum score for each award criterion and subcriterion and at least 60% of the overall score for all the criteria will not be admitted to the next stage of the evaluation procedure.

9.3.2. Financial evaluation

The price used to determine the tender which offers the best value for money is based on the following weighted purchase scenario:

<table>
<thead>
<tr>
<th>BXL and LUX</th>
<th>EUROPE</th>
<th>WORLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor's premises</td>
<td>Outside contractor's premises</td>
<td>International experts</td>
</tr>
<tr>
<td>Days</td>
<td>Days</td>
<td>Days</td>
</tr>
<tr>
<td>In €</td>
<td>In €</td>
<td>In €</td>
</tr>
<tr>
<td>Junior</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Senior</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Manager</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Partner</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Specialist</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

(a), (b), (c), (d), (e) and (f) are the sums of the unit costs multiplied by related the number of days.

For example: (a) = unit cost for an junior x 10 + unit cost for a senior x 20 + unit cost for a manager x 5 + unit cost for a partner x 1 + unit cost for a specialist x 1

Local experts are based in the country where the mission takes place.

International experts are based outside the country where the mission takes place.

For Brussels and Luxembourg, the contractors cannot use the unit price applicable for Europe.

Europe area is defined as the 47 members of the Council of Europe at the date if the 1st of February 2015; http://www.coe.int/web/portal/home

The "World" is composed by any country which is not part of the Council of Europe.

\[
\text{Price} = (a) + (b) + (c) + (d) + (e) + (f)
\]
The unit prices include all costs related to the performance of the contract, including travel costs.

Tenderers' attention is drawn to the fact that the sole objective of the evaluation scenario is to provide a fair, non-discriminatory basis for comparing the financial bids.

9.3.3. **Award of the framework contract**

The final mark will be calculated with the following formula so as to determine the most economically advantageous tenders.

- Weighting for quality = 70
- Weighting for price = 30

**Ranking formula:**

\[
\text{Score for tender } X = \left( \frac{\text{cheapest price}}{\text{price of tender } X} \right) \times 30 + \left( \frac{\text{total quality score tender } X}{100} \right) \times 70
\]

The framework contract will be awarded to the tenderers having submitted the 8 most economically advantageous tenders.

10. **Procedure for awarding specific contracts**

Evaluation of tenders will be done as follows:

10.1.1. **Qualitative evaluation**

- The quality of the methodology proposed for the audits (20 points).
- The proposed workplan for the specific contract execution including details on each phase (30 points).
- The justification of the allocation human resources (number of man days and profiles) proposed by the contractor for each phase of the assignment as defined in the specifications for the reopening of competition (50 points).

Tenders which do not obtain at least 50% of the maximum score for each award criterion and at least 60% of the overall score for all the criteria will not be admitted to the next stage of the evaluation procedure.

10.1.2. **Financial evaluation**

The price used to determine the tender which offers the best value for money will be the total price proposed by the tenderer.

Each unit cost used cannot be above the one provided under point 9.3.2. Non-compliance with this requirement will lead to the rejection of the tender.

10.1.3. **Award of the specific contract**

The tenderers will be ranked with the following formula. The contract will be awarded to the most economically advantageous tender.

- Weighting for quality = 50
- Weighting for price = 50
Award formula:

Score for tender X = (cheapest price / price of tender X) * total quality score (out of 100) for all criteria of tender X
Declaration of honour on exclusion criteria and absence of conflict of interest

(Complete or delete the parts in grey italics in parenthese) [Choose options for parts in grey between square brackets]

The undersigned (insert name of the signatory of this form):

☐  in [his][her] own name (for a natural person)

or

☐ representing the following legal person: (only if the economic operator is a legal person)

full official name:

official legal form:

full official address:

VAT registration number:

➢ declares that [the above-mentioned legal person][he][she] is not in one of the following situations:

a) is bankrupt or being wound up, is having its affairs administered by the courts, has suspended business activities, is the subject of proceedings concerning those matters, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

b) has been convicted of an offence concerning professional conduct by a judgment of a competent authority of a Member State which has the force of res judicata;

c) has been guilty of grave professional misconduct proven by any means which the contracting authorities can justify including by decisions of the European Investment Bank and international organisations;

d) is not in compliance with all its obligations relating to the payment of social security contributions and the payment of taxes in accordance with the legal provisions of the country in which it is established, with those of the country of the contracting authority and those of the country where the contract is to be performed;

e) has been the subject of a judgement which has the force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity, where such activity is detrimental to the Union's financial interests;

f) is subject to an administrative penalty for being guilty of misrepresenting the information required by the contracting authority as a condition of participation in a grant award procedure or another procurement procedure or failing to supply this information, or having been declared to be in serious breach of its obligations under contracts or grants covered by the Union's budget.

➢ (Only for legal persons other than Member States and local authorities, otherwise delete) declares that the natural persons with power of representation, decision-
making or control\textsuperscript{15} over the above-mentioned legal entity are not in the situations referred to in b) and e) above;

\begin{itemize}
  \item \textbf{declares that [the above-mentioned legal person][he][she]}:
  \begin{enumerate}
    \item g) has no conflict of interest in connection with the contract; a conflict of interest could arise in particular as a result of economic interests, political or national affinity, family, emotional life or any other shared interest;
    \item h) will inform the contracting authority, without delay, of any situation considered a conflict of interest or which could give rise to a conflict of interest;
    \item i) has not granted and will not grant, has not sought and will not seek, has not attempted and will not attempt to obtain, and has not accepted and will not accept any advantage, financial or in kind, to or from any party whatsoever, where such advantage constitutes an illegal practice or involves corruption, either directly or indirectly, inasmuch as it is an incentive or reward relating to award of the contract;
    \item j) provided accurate, sincere and complete information to the contracting authority within the context of this procurement procedure;
  \end{enumerate}
\end{itemize}

\begin{itemize}
  \item \textbf{acknowledges that [the above-mentioned legal person][he][she] may be subject to administrative and financial penalties\textsuperscript{16} if any of the declarations or information provided prove to be false.}
\end{itemize}

In case of award of contract, the following evidence shall be provided upon request and within the time limit set by the contracting authority:

For situations described in (a), (b) and (e), production of a recent extract from the judicial record is required or, failing that, a recent equivalent document issued by a judicial or administrative authority in the country of origin or provenance showing that those requirements are satisfied. Where the tenderer is a legal person and the national legislation of the country in which the tenderer is established does not allow the provision of such documents for legal persons, the documents should be provided for natural persons, such as the company directors or any person with powers of representation, decision making or control in relation to the tenderer.

For the situation described in point (d) above, recent certificates or letters issued by the competent authorities of the State concerned are required. These documents must provide evidence covering all taxes and social security contributions for which the tenderer is liable, including for example, VAT, income tax (natural persons only), company tax (legal persons only) and social security contributions.

For any of the situations (a), (b), (d) or (e), where any document described in two paragraphs above is not issued in the country concerned, it may be replaced by a sworn or, failing that, a solemn statement made by the interested party before a judicial or administrative authority, a notary or a qualified professional body in his country of origin or provenance.

If the tenderer is a legal person, information on the natural persons with power of representation, decision making or control over the legal person shall be provided only upon request by the contracting authority.

<table>
<thead>
<tr>
<th>Full name</th>
<th>Date</th>
<th>Signature</th>
</tr>
</thead>
</table>

\textsuperscript{15} This covers the company directors, members of the management or supervisory bodies, and cases where one natural person holds a majority of shares.

\textsuperscript{16} As provided for in Article 109 of the Financial Regulation (EU, Euratom) 966/2012 and Article 145 of the Rules of Application of the Financial Regulation
DECLARATION THAT THERE ARE NO CONFLICTS OF INTEREST

(MODEL FOR THE SPECIFIC CONTRACT)

LETTER HEAD

Date: …..

SUBJECT: DECLARATION THAT THERE ARE NO CONFLICTS OF INTEREST

Reference: Specific contract No …. for the supply of technical assistance services in the field of internal control and risk management

I the undersigned… [representative of name in full of the tenderer] tenderer in the aforementioned contract hereby confirm:

– that on the date of submission of the tender, the organisation that I represent and the staff proposed for this tender are not subject to a conflict of interest in the context of this specific contract; a conflict of interest could arise in particular as a result of economic interests, political or national affinities, family or emotional ties, or any other relevant connection or shared interest;

– that I will inform the authorising department, without delay, of any situation constituting a conflict of interest or which could give rise to a conflict of interest;

– that the organisation that I represent and the staff proposed have not made, and undertake not to make, any offer, of any type whatsoever, from which an advantage could be derived in connection with this contract;

– that the organisation that I represent and the staff proposed have not sought and will not seek, have not attempted and will not attempt to obtain, and have not accepted and will not accept, any advantage, financial or in kind, from any party whatsoever, where such advantage constitutes an illegal practice or involves corruption, either directly or indirectly, inasmuch as it is an incentive or reward relating to the performance of the contract;

– that I am aware that the Commission reserves the right to check this information, and I realise the possible consequences that may arise from any false declaration in providing the information required by the authorising department in order to participate in the specific contract.

Full name and signature: ………. Date: …..