**TERMS OF REFERENCE FOR AN**

**EXPENDITURE VERIFICATION**

# <Annex 3: Model for >Expenditure verification Report

**How this model should be completed by the Expenditure Verifier**

* **insert** the information requested between the **<…>**
* **choose** the optional text between **[…]** highlighted in grey when applicable or delete
* **delete** all yellow instructions and the present text box
* **replace footer by "EVR <Year of Report>– Contract <…> - Page …/…"**

Apart from the addition of information and statements that reports on factual findings should contain in accordance with ISRS 4400**, the standard wording** can only be modified in exceptional cases and after prior consultation of INTPA.R.3, Audit & Control Unit.

# 1. Background information

## *1.1. Short description of the action subject to verification*

|  |  |
| --- | --- |
| **Contract number and title:** |  |
| **Contract type** | < e.g. grant contract, programme estimate, service contract…> |
| Financial Report(s) subject to verification | <DD/MM/YYYY-DD/MM/YYYY>  <DD/MM/YYYY-DD/MM/YYYY>  <DD/MM/YYYY-DD/MM/YYYY> |
| **Reporting Entity and Other Spending Entities**[[1]](#footnote-1) | < Identify the Reporting Entity and Other Spending Entities and provide key information about their legal form, nationality, size, main field(s) of activity and other elements deemed relevant – max 200 words> |
| **Location(s) where the Contract is implemented** |  |
| **Contract execution period** |  |
| **Contract implementation status** | < indicate on-going or completed > |
| **General and specific objectives of the Contract** |  |
| **Synthetic description of the activities, outputs and target group** | <max 300 words> |

## *1.2. Basic financial information of the Contract (at the time of the verification)*

* + 1. Expenditure

|  |  |  |
| --- | --- | --- |
| **Budget Headings** | **Budgeted Expenditure (amount)** | **Reported Expenditure (amount)** |
| Budget Heading "…" |  |  |
| … |  |  |
| **Total** |  |  |

* + 1. *Contributions*

|  |  |  |
| --- | --- | --- |
| **Source of Contribution** | **Budgeted Contribution (amount)** | **Actual Contribution  (amount)** |
| EU |  |  |
| Reporting Entity |  |  |
| Spending Entity 1 |  |  |
| … |  |  |
| Other Donor 1 |  |  |
| … |  |  |
| **Total** |  |  |

* + 1. *Revenues*

|  |  |  |
| --- | --- | --- |
| **Revenue Types** | **Budgeted Revenues  (amount)** | **Actual Revenues  (amount)** |
| Type "…" |  |  |
| Type "…" |  |  |
| … |  |  |
| **Total** |  |  |

## *1.3. Verified Financial Reports/Invoices*

See annex 3.1

# 2. Risk analysis

## *2.1. Outcome of risk analysis*

Based on the risk analysis performed according to the Terms of Reference, provide succinct information about the identified risks possibly affecting the verified report, regarding the action, the context in which the latter is implemented, the beneficiaries and the target group.

<E.g. action implemented via complex procurement procedures, financial assistance to third parties (sub-grants) or revolving funds, transactions incurred in several currencies, technical complexity, high corruption perception index, instances of political interference, predominance of cash payments, number of parties involved, partners lacking administrative capacity, known weaknesses in internal control systems, lack of involvement or cooperation of the target group, history of fraud cases. *(max. 300 words)*>

In addition, please identify possible mitigating factors.

< E.g. previous audit or verification work, evidence of close follow up by the contracting authority, good results yielded in the past by the implementing partner, etc. *(max. 150 words)>*

## *2.2 Implications on the sampling*

Explain how the identified risk factors are reflected in the structure and size of the sample.

<Based on the identified risk factors, describe how the sample was selected (e.g. statistical/judgemental sampling, stratification, etc.), what type of transactions were prioritised (e.g. amount above xx EUR, expensed declared by co-beneficiary XY, staff expenditure, payments to sub-grantees, etc.) what is the coverage ratio in amount and number of transaction *(max. 200 words)*>

# 3. Transaction population and sample

## *3.1 Sampling Highlights/Overview*

The sample size was determined based on a materiality threshold of 2% of the total amount of reported expenditure with a confidence level of 95% and considering the risk analysis presented above.

|  |  |  |
| --- | --- | --- |
| **Report/invoice: <indicate the report/invoice number and cut-off dates>** | | |
|  | **Population** | **Verified sample** |
| **Number of transactions** |  |  |
| **Value of transactions EUR** |  |  |

If more than one financial report/invoice is verified, repeat as applicable

A complete list of the transactions included in the population is to be included in Annex 3.3.

The Contracting Authority may request the Expenditure Verifier to exclude from the population the transactions included in the financial report but already rejected during the ex-ante verifications.

Section 3.2 applies only if the Reporting Entity is not the Contracting Authority for the expenditure verification. If this is not the case the entire section 3.2 should be removed.

## *[3.2 Reconciliation of the reports/invoices with the Commission accounting records*

In case the report/invoice amount is different from that of the relevant accounting record (invoice, clearing, payment), fill in this table

|  |  |
| --- | --- |
| **Report/invoice: <indicate the report number and cut-off dates>** | |
| **Total amount of the verified report** |  |
| **+/- corrections following external ex ante verifications** |  |
| **+/- corrections following internal ex ante verifications** |  |
| **Amount of the Commission's accounting record** |  |

If more than one financial report/invoice is verified, repeat as applicable. If financial reports under different Contracts are verified, include the contracts reference]

# 4. Substantive testing

## *4.1. Short description of the testing process*

Compliance with the Terms of Reference and with the International Standard on Related Services (ISRS) 4400.

<Confirm that the testing procedures established in the annex 2 to the Terms of Reference were fully applied or disclose any scope limitation. Also confirm that the testing was executed in accordance with the International Standard on Related Services (ISRS) 4400, “Engagements to Perform Agreed-upon Procedures Regarding Financial Information”.>

Key information about the testing process.

<E.g. describe if the verification work took place at the implementing partner's premises, whether qualified representatives of the reporting entity were present, if they were cooperative, if the supporting documentation was available in full, if additional documents had to be received after the field mission, whether evidence of the equipment transfer is available, if physical inspections were performed, any scope limitations, etc. (max. 300 words)>

# 5. Summary of findings

## *5.1. Summary of errors detected*

<Description of the main outcomes of the transaction testing (e.g. type of errors detected, type of transactions, geographic scope, sector, involved implementing partners, etc.) *(max. 200 words)>*

## *5.2. Classification of errors by compliance issue*

|  |  |  |  |
| --- | --- | --- | --- |
| **No** | **Compliance issue / reason for ineligible expenditure** | **No of findings** | **Amount €** |
|
| 1 | Missing / inadequate documentation |  |  |
| 2 | Incorrect procurement procedure applied |  |  |
| 3 | Expenditure outside contractual period |  |  |
| 4 | Expenditure includes VAT / other taxes |  |  |
| 5 | Incorrect exchange rate used |  |  |
| 6 | Budget exceeded |  |  |
| 7 | Expenditure not for project purposes |  |  |
| 8 | Fraud and irregularities |  |  |
| 9 | Income not declared / not reported |  |  |
| 10 | Other financial findings |  |  |
|  | **Total financial findings** |  |  |

## *5.3 Audit team*

<List names and expert category levels for this report.>

<Name and signature of the Verifier>

<Verifier's address: office having responsibility for the verification>

[for final reports <Date of signature> the date when the **final** report is signed]

# Annex 3.1: Financial reports/invoices provided by the reporting entity

# Annex 3.2: Procedures performed

# Annex 3.3: Table of transactions - provided as Excel file

# Annex 3.4: Table of errors - provided as Excel file

1. The term "Other spending entities" identifies the entities, beyond the reporting one, which incurred part of the reported expenditure [↑](#footnote-ref-1)