

TENDER SPECIFICATIONS FOR AN EXPENDITURE VERIFICATION

<Annex 1 Model for Expenditure Verification Report >(based on agreed- upon procedures)

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 (Revised), **the standard wording** can only be modified in exceptional cases and after prior consultation of UfM Finance & Contracts Unit.

In accordance with the ISRS 4400 (Revised) the following specifications apply:

- The Expenditure Verifier conducted the expenditure verification in accordance with the International Standards on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements;
- The Expenditure Verifier makes no representation regarding the appropriateness of the agreed upon procedures;
- The agreed-upon procedure is not an assurance engagement and accordingly the Expenditure Verifier does not express an opinion or an assurance conclusion;
- Had the Expenditure Verifier performed additional procedures, other matters might have come to their attention that would have been reported;
- The agreed-upon procedures involved the Expenditure Verifier performing the procedures set out in Annex 2 to the Tender Specifications that have been agreed with the Contracting Authority and reporting the findings. Findings are the factual results of the agreed-upon procedures performed; the Contracting Authority acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement;
- The Reporting Entity as identified by the Contracting Authority is responsible for the subject matter on which the agreed-upon procedures are performed;
- The expenditure verification report is intended for the purpose specified in the Tender Specifications on which the Contracting Authority agrees to engage the Expenditure Verifier and may not be suitable for another purpose;
- The Expenditure Verifier carried out the engagement in accordance with the IFAC Code of Ethics for Professional Accountants and the fundamental ethical principles and independence requirements established therein, namely: integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.
- The Expenditure Verifier applies the International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Detailed specifications have been agreed between the Contracting Authority and the Expenditure Verifier and they have been stipulated in the 'Tender Specifications for an Expenditure Verification'. The Tender Specifications are an integral part of the contract concluded between the Contracting Authority and the Expenditure Verifier.

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> |
| Expenditure verification Contracting Authority | < Union for the Mediterranean Secretariat > |
| Reporting Entity and Other Spending Entities¹ | < 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 implementation 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 The term "Other spending entities" identifies the entities, beyond the reporting one, which incurred part of the reported expenditure

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

1.1.1 Expenditure

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

1.1.2 Contributions

| <u>Source of Contribution</u> | <u>Budgeted Contribution (amount)</u> | <u>Actual Contribution (amount)</u> |
|------------------------------------|---|---|
| <u>Union for the Mediterranean</u> | - | - |
| <u>Reporting Entity</u> | - | - |
| <u>Spending Entity 1</u> | - | - |
| ... | - | - |
| <u>Other Donor 1</u> | - | - |
| ... | - | - |
| <u>Total</u> | - | - |

1.1.3 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 Tender Specifications, 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. >

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. >

2.2 Implications on the sampling

The population to be tested is the entire set of data which we want to test. As agreed in the Terms of Reference, we have applied our procedures to the 100% of the expenses included in the breakdown of expenditure.

3. Transaction population and sample

3.1 Sampling Highlights/Overview

N/A (population not sampled)

| Report/invoice: <indicate the report/invoice number and cut-off dates> | | |
|--|------------|-----------------|
| | Population | Verified sample |
| Number of transactions | | 100% |
| Value of transactions EUR | | 100% |

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

A complete list of the transactions is included in Annex 3.3. <include list of transactions 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.

3.2 Reconciliation of the reports/invoices with the 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 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. Testing process

<Confirm that the testing procedures established in the annex 2 to the Tender Specifications were fully applied or disclose any scope limitation.

Briefly describe 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. >

5. Findings

5.1 Follow up of the internal control findings included in the system audit report

| | |
|---|--|
| Finding n°. | |
| Internal control issue | |
| Title | |
| Description | |
| Recommendation | |
| Comments by the auditee | |
| Further comments from the auditor | |
| Update and/or implemented recommendations | |

5.2. Overview of expenditure verification findings by compliance issue

| No | Compliance issue / reason for ineligible expenditure | No of findings | Amount in € | Systemic finding (Yes/No) |
|----|---|----------------|-------------|---------------------------|
| 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 | | | |
| 11 | Indirect costs included as direct costs (e.g. staff uplifts, SCOs non-prior approved) | | | |
| 12 | Commitments or advances reported as expenditure incurred | | | |
| 13 | Simplified Cost Options not properly applied | | | |
| 14 | Measurements for works contracts not properly evidenced | | | |
| | Total financial findings | | | |

5.3. Description of findings detected

<Description of the finding(s) elaborating on: the type of compliance issue (see chapter 5.1 for the classification), the facts that have been established (including e.g. geographic scope, sector, involved implementing partners, etc.), description of the underlying/root cause(s), criteria used and impact>

5.4 Possible systemic findings

<Detail the possible systemic finding(s) – if any. Describe the nature of the finding(s) and indicate if the errors identified are significant enough to be marked as possibly systemic²; also cross-reference with the error reference(s) in the Excel table of Annex 3.4).>

| Finding number | Provide a brief description of the nature of the finding and type of error detected | Total number of transactions affected by the error detected | Errors that should be flagged as possibly systemic as per definition (Yes/No) |
|----------------|---|---|---|
| 1 | | | |
| 2 | | | |

6. Verification 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

² Systemic finding: a finding is considered significant enough to be marked as possibly systemic if more than two errors similar in nature are identified for the same type of transactions examined in the selected sample during fieldwork / desk review.