

Annex VII Model terms of reference for the Certificate on the Financial Statements

**Terms of Reference for an Independent Report of Factual Findings on costs declared under a Grant Agreement financed under the Call for Proposals GSA/GRANT/06/2019**

This document sets out the 'Terms of Reference (ToR)' under which

[insert name of the beneficiary] ('the Beneficiary')

agrees to engage

[insert legal name of the auditor] ('the Auditor')

to produce an independent report of factual findings ('the Report') concerning the Financial Statement(s)<sup>1</sup> drawn up by the [Beneficiary] for the Grant Agreement **GSA/GRANT/06/2019** ('the Agreement') for the implementation of the action entitled <xxx> (the 'Action'), and

to issue a 'Certificate on the Financial Statements (CFS)' referred to in Articles 1.4.2(c) and 1.4.3(d) of the Agreement based on the reporting template stipulated by the GSA.

The Agreement has been concluded under the Call for Proposals **GSA/GRANT/06/2019** between the Beneficiary and the European GNSS Agency ('the Agency')

The Agency is mentioned as a signatory of the Agreement with the Beneficiary.

### 1.1 Subject of the engagement

The beneficiary must submit to the Agency the final report within 60 (sixty) days following the end of the last reporting period which may need to include, amongst other documents, a CFS for itself and for each of its affiliated entities for which the CFS is requested, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Articles 1.4.2(c) and 1.4.3(d) of the Agreement). The CFS must cover all reporting periods of the beneficiary and its affiliated entities indicated above.

The CFS is composed of two separate documents:

- The Terms of Reference ('the ToR') to be signed by the Beneficiary and the Auditor;
- The Auditor's Independent Report of Factual Findings ('the Report') to be issued on the Auditor's letterhead, dated, stamped and signed by the Auditor (or the competent public officer) which includes the agreed-upon procedures ('the Procedures') to be performed by the Auditor, and the standard factual findings ('the Findings') to be confirmed by the Auditor.

If the CFS must be included in the final report according to Article and 1.4.3(d) of the Agreement, the request for payment of the balance relating to the Agreement cannot be made without the CFS. However, the payment for reimbursement of costs covered by the CFS does not preclude the Agency, the European Anti-Fraud Office and the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Articles II.27.8 and II.27.9 of the Agreement.

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<sup>1</sup> By which costs under the Agreement are declared (see template of the Financial Statement provided by the GSA).

## 1.2 Responsibilities

### The Beneficiary:

- must draw up the Financial Statement(s) for the action financed by the Agreement in compliance with the obligations under the Agreement. The Financial Statement(s) must be drawn up according to the Beneficiary's accounting and bookkeeping system and the underlying accounts and records;
- must send the Financial Statement(s) to the Auditor;
- is responsible and liable for the accuracy of the Financial Statement(s);
- is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures. It must provide the Auditor with a written representation letter supporting these statements. The written representation letter must state the period covered by the statements and must be dated;
- accepts that the Auditor cannot carry out the Procedures unless it is given full access to the Beneficiary's staff and accounting as well as any other relevant records and documentation.

### The Auditor:

- is qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations.
- must be independent from the Beneficiary, in particular, it must not have been involved in preparing the Beneficiary's Financial Statement(s);
- must plan work so that the Procedures may be carried out and the Findings may be assessed;
- must document the type, level and intensity of the checks made on the financial data contained in the Financial Statement(s), in particular on the staff calculation costs and compliance of the time recording internal systems of the beneficiary with the minimum requirements of the grant agreement;
- must adhere to the Procedures laid down and the compulsory report format;
- must carry out the engagement in accordance with this ToR;
- must document matters which are important to support the Report;
- must base its Report on the evidence gathered;
- must submit the Report to the Beneficiary.

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

### 1.3 Applicable Standards

The Auditor must comply with these Terms of Reference and with<sup>2</sup>:

- the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as issued by the International Auditing and Assurance Standards Board (IAASB);
- the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Although ISRS 4400 states that independence is not a requirement for engagements to carry out agreed-upon procedures, the Agency requires that the Auditor also complies with the Code's independence requirements.

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

### 1.4 Reporting

The Report must be written in the language of the Agreement (see Article I.4.6). Under Articles II.27.8 and II.27.9 of the Agreement, the Agency, the European Anti-Fraud Office and the Court of Auditors have the right to audit any work that is carried out under the action and for which costs are declared from the European Union budget. This includes work related to this engagement. The Auditor must provide access to all working papers (e.g. recalculation of hourly rates, verification of the time declared for the action) related to this assignment if the Agency, the European Anti-Fraud Office or the European Court of Auditors requests them.

### 1.5 Timing

The Report must be provided by **dd Month yyyy**.

### 1.6 Other terms

The Beneficiary and the Auditor can use this section to agree other specific terms, such as the Auditor's fees, liability, applicable law, etc. Those specific terms must not contradict the terms specified above.

legal name of the Auditor	legal name of the Beneficiary
name & function of authorised representative	name & function of authorised representative
dd Month yyyy	dd Month yyyy
Signature of the Auditor	Signature of the Beneficiary

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<sup>2</sup> Supreme Audit Institutions applying INTOSAI-standards may carry out the Procedures according to the corresponding International Standards of Supreme Audit Institutions and code of ethics issued by INTOSAI instead of the International Standard on Related Services ('ISRS') 4400 and the Code of Ethics for Professional Accountants issued by the IAASB and the IESBA

**Independent Report of Factual Findings on costs declared under the Call for Proposals  
GSA/GRANT/06/2019**

To  
[name of contact person(s)], [Position]  
[ [Beneficiary's] [Linked Third Party's] name ]  
[ Address]  
[ dd Month yyyy]

Dear [Name of contact person(s)],

As agreed under the terms of reference dated [dd Month yyyy]

with [OPTION 1: [insert name of the beneficiary] ('the Beneficiary')] [OPTION 2: [insert name of the linked third party] ('the Linked Third Party')],

we

[name of the auditor] ('the Auditor'),  
established at

[full address/city/state/province/country],  
represented by

[name and function of an authorised representative],

have carried out the procedures agreed with you regarding the costs declared in the Financial Statement(s)<sup>3</sup> of the [Beneficiary] [Linked Third Party] concerning the grant agreement [insert grant agreement reference: grant agreement number, action name] ('the Agreement'),

with a total cost declared of [total amount] EUR,

and a total of actual costs and 'direct personnel costs declared as unit costs calculated in accordance with the [Beneficiary's] [Linked Third Party's] usual cost accounting practices' declared of [sum of total actual costs and total direct personnel costs declared as unit costs calculated in accordance with the [Beneficiary's] [Linked Third Party's] usual cost accounting practices] EUR (if applicable according to the Grant Agreement- Article I.3)

and **hereby provide our Independent Report of Factual Findings ('the Report')** using the compulsory report format agreed with you.

### **The Report**

Our engagement was carried out in accordance with the terms of reference ('the ToR') appended to this Report. The Report includes the agreed-upon procedures ('the Procedures') carried out and the standard factual findings ('the Findings') examined.

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<sup>3</sup> By which the Beneficiary declares costs under the Agreement (see template of the Financial Statement provided by the GSA).

The Procedures were carried out solely to assist the *Agency* in evaluating whether the [*Beneficiary's*] [*Linked Third Party's*] costs in the accompanying Financial Statement(s) were declared in accordance with the Agreement. The *Agency* draws its own conclusions from the Report and any additional information it may require.

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

Had the Auditor carried out additional procedures or an audit of the [*Beneficiary's*] [*Linked Third Party's*] Financial Statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to its attention and would have been included in the Report.

### **Not applicable Findings**

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

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

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

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

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

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

...>

### **Exceptions**

Apart from the exceptions listed below, the [*Beneficiary*] [*Linked Third Party*] provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and evaluate the Findings.

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

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

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

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

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

1. *The Beneficiary was unable to substantiate the Finding number 1 on ... because ....*
2. *Finding number 9 was not fulfilled because the methodology used by the Beneficiary to calculate unit costs was different from the one approved by the Agency. The differences were as follows: ...*
3. *After carrying out the agreed procedures to confirm the Finding number 20, the Auditor found a difference of \_\_\_\_\_ EUR. The difference can be explained by ...*

**Further Remarks**

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

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

1. *Regarding Finding number 8 the conditions for additional remuneration were considered as fulfilled because ...*
2. *In order to be able to confirm the Finding number 14 we carried out the following additional procedures: ....*

**Use of this Report**

This Report may be used only for the purpose described in the above objective. It was prepared solely for the confidential use of the [Beneficiary] [Linked Third Party] and the Agency, and only to be submitted to the Agency in connection with the requirements set out in Articles 1.4.2(c) and 1.4.3(d) of the Agreement. The Report may not be used by the [Beneficiary] [Linked Third Party] or by the Agency for any other purpose, nor may it be distributed to any other parties. The Agency may only disclose the Report to authorised parties, in particular to the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

This Report relates only to the Financial Statement(s) submitted to the Agency by the [Beneficiary] [Linked Third Party] for the Agreement. Therefore, it does not extend to any other of the [Beneficiary's] [Linked Third Party's] Financial Statement(s).

There was no conflict of interest<sup>4</sup> between the Auditor and the Beneficiary [and Linked Third Party] in establishing this Report. The total fee paid to the Auditor for providing the Report was EUR \_\_\_\_\_ (including EUR \_\_\_\_\_ of deductible VAT).

<sup>4</sup> A conflict of interest arises when the Auditor's objectivity to establish the certificate is compromised in fact or in appearance when the Auditor for instance:

- was involved in the preparation of the Financial Statements;
- stands to benefit directly should the certificate be accepted;

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

[legal name of the Auditor]

[name and function of an authorised representative]

[dd Month yyyy]

Signature of the Auditor

### **Agreed-upon procedures to be performed and standard factual findings to be confirmed by the Auditor**

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

If this certificate relates to a Linked Third Party, any reference here below to 'the Beneficiary' is to be considered as a reference to 'the Linked Third Party'.

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

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

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- has a close relationship with any person representing the beneficiary;
  - is a director, trustee or partner of the beneficiary; or
  - is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

Ref	Procedures	Standard factual finding	Result (C/E/N.A.)
<b>A</b>	<b>ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE BENEFICIARY/PARTNER IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE</b>		
	<p>The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A.</p> <p><i>(The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party), otherwise the sample should have a minimum of 10 people, or 10% of the total, whichever number is the highest)</i></p> <p>The Auditor sampled [xxxx] people out of the total of [yyyy] people.</p>		
<b>A.1</b>	<p><b>PERSONNEL COSTS</b></p> <p><u>For the persons included in the sample and working under an employment contract or equivalent act (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</u></p> <p>To confirm standard factual findings 1-5 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>• a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract;</li> <li>• the pay slips of the employees included in the sample;</li> <li>• reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system;</li> <li>• information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent;</li> </ul>	<p>1) The employees were</p> <p>(i) directly hired by the Beneficiary in accordance with its national legislation,</p> <p>(ii) under the Beneficiary's sole technical supervision and responsibility and</p> <p>(iii) remunerated in accordance with the Beneficiary's usual practices.</p>	



Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
	<ul style="list-style-type: none"> <li>• the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay);</li> <li>• applicable national law on taxes, labour and social security and</li> <li>• any other document that supports the personnel costs declared.</li> </ul> <p>The Auditor also verified the eligibility of all components of the remuneration and recalculated the personnel costs for employees included in the sample.</p>	2) Personnel costs were recorded in The Beneficiary's accounts/ payroll system.	
		3) Costs were adequately supported and reconciled with the accounts and payroll records.	
		4) Personnel costs did not contain any ineligible elements.	
		5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.	
	<p><i>Further procedures if 'additional remuneration' is paid</i></p> <p>To confirm standard factual findings 6-8 listed in the next column, the Auditor:</p>	6) Additional remuneration charged is eligible according to the provisions of the	

Ref	Procedures	Standard factual finding	Result (C/E/N.A.)
	<ul style="list-style-type: none"> <li>reviewed relevant documents provided by the Beneficiary (legal form, legal/statutory obligations, the Beneficiary's usual policy on additional remuneration, criteria used for its calculation...);</li> <li>recalculated the amount of additional remuneration eligible for the action based on the supporting documents received (full-time or part-time work, exclusive or non-exclusive dedication to the action, etc.) to arrive at the applicable FTE/year and pro-rata rate (see data collected in the course of carrying out the procedures under A.2 'Productive hours' and A.4 'Time recording system').</li> </ul> <p><b><i>IF ANY PART OF THE REMUNERATION PAID TO THE EMPLOYEE IS NOT MANDATORY ACCORDING TO THE NATIONAL LAW OR THE EMPLOYMENT CONTRACT ("ADDITIONAL REMUNERATION") IT CAN BE CHARGED IF IT WAS <u>ELIGIBLE UNDER THE PROVISIONS OF THE ARTICLE 12.2.1 OF THE CALL FOR PROPOSAL</u> AND IF IT WAS PAID IN A CONSISTENT MANNER WHENEVER THE SAME KIND OF WORK OR EXPERTISE IS REQUIRED INDEPENDENTLY FROM THE SOURCE OF FUNDING USED.</i></b></p>	<p>Call for proposals – see Article <u>12.2.1</u></p> <p>7) The amount of additional remuneration paid corresponded to the Beneficiary's usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.</p>	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
		8) The criteria used to calculate the additional remuneration were objective and generally applied by the Beneficiary regardless of the source of funding used.	
	<p><i>Additional procedures in case “unit costs calculated by the Beneficiary in accordance with its usual cost accounting practices” is applied (if applicable according to the Grant Agreement - Article 1.3):</i></p> <p>Apart from carrying out the procedures indicated above to confirm standard factual findings 1-5 and, if applicable, also 6-8, the Auditor carried out following procedures to confirm standard factual findings 9-12 listed in the next column:</p> <ul style="list-style-type: none"> <li>• obtained a description of the Beneficiary's usual cost accounting practice to calculate unit costs;</li> <li>• reviewed whether the Beneficiary's usual cost accounting practice was applied for the Financial Statements subject of the present CFS;</li> <li>• verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the Beneficiary to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records;</li> </ul>	9) The personnel costs included in the Financial Statement were calculated in accordance with the Beneficiary's usual cost accounting practice. This methodology was consistently in all actions underwent by the beneficiary (all other grants funded by the EU).	

Ref	Procedures	Standard factual finding	Result (C/E/N.A.)
	<ul style="list-style-type: none"> <li>verified that there is no difference between the total amount of personnel costs used in calculating the cost per unit and the total amount of personnel costs recorded in the statutory accounts;</li> <li>verified whether actual personnel costs were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used are actually relevant for the calculation, objective and supported by documents.</li> </ul>	10) The employees were charged under the correct category.	
		11) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.	
		12) Any estimated or budgeted element used by the Beneficiary in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
	<p><u>For natural persons included in the sample and working with the Beneficiary under a direct contract other than an employment contract, such as in-house consultants (no subcontractors).</u></p> <p>To confirm standard factual findings 13-17 listed in the next column the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>• the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Beneficiary;</li> <li>• the employment conditions of staff in the same category to compare costs and;</li> <li>• any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.).</li> </ul>	13) The natural person worked under the Beneficiary's instructions.	
		14) The natural person worked on the Beneficiary's premises, unless otherwise agreed with the Beneficiary.	
		15) The results of work carried out belong to the Beneficiary.	
		16) Their costs were not significantly different from those for staff who performed similar tasks under an employment contract with the Beneficiary.	
		17) The costs were supported by audit evidence and	

Ref	Procedures	Standard factual finding	Result (C/E/N.A.)
		registered in the accounts.	
A.2	<p><b>PRODUCTIVE WORKING TIME (days/hours)</b></p> <p>To confirm standard factual findings 18-19 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that:</p> <ul style="list-style-type: none"> <li>• the annual productive days/hours applied were calculated in accordance with the method described below,</li> <li>• the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated.</li> </ul> <p>The auditor verified the correctness of calculation of the total number of hours worked and confirmed that the contracts specified the annual workable hours.</p> <p>The Auditor verified that working time was calculated on the time actually worked (excluding holidays, bank holidays, weekends and illness). If it is necessary for carrying out the project, time spent on internal meetings, studying general information, training, etc. can also be deducted from</p>	18) “Annual productive working time (days/hours)” was correctly calculated in line with the method described, was calculated per year and the number of “annual workable hours”, overtime and absences was verifiable based on the documents provided by the Beneficiary.	



Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
	<p>the working time. If this is done, time spent on these activities may under no circumstances be charged to the project nor may it be included in the calculation of overheads. The Auditor must have verified the time deducted for this purpose on the basis of reliable statistics or time recording.</p> <p>Activities that cannot be deducted for the calculation of the working time and that cannot be charged to the project are: Sales and marketing; Preparation of proposals; Administrative time (often means “unsold” time).</p> <p>In principle, staff working full-time is considered to be working 220 days per year, half-time staff 110 days per year. Any substantial deviation from this indicative working time needs to be justified and explained in the proposal, on basis of accounting evidence or a time recording system.</p> <p><i><u>BENEFICIARY'S ANNUAL PRODUCTIVE WORKING TIME (DAYS/HOURS) FOR PERSONS WORKING FULL TIME, ALSO REFERRED TO AS THE TOTAL NUMBER OF HOURS WORKED BY THE PERSON FOR THE BENEFICIARY IN THE YEAR, WAS CALCULATED AS FOLLOWS: ANNUAL WORKABLE HOURS OF THE PERSON ACCORDING TO THE EMPLOYMENT CONTRACT, APPLICABLE LABOUR AGREEMENT OR NATIONAL LAW PLUS OVERTIME WORKED MINUS ABSENCES (SUCH AS SICK LEAVE OR SPECIAL LEAVE).</u></i></p> <p><i><u>ANNUAL WORKABLE HOURS' MEANS THE PERIOD DURING WHICH THE PERSONNEL MUST BE WORKING, AT THE EMPLOYER'S DISPOSAL AND CARRYING OUT HIS/HER ACTIVITY OR DUTIES UNDER THE EMPLOYMENT CONTRACT, APPLICABLE COLLECTIVE LABOUR AGREEMENT OR NATIONAL WORKING TIME LEGISLATION.</u></i></p>	<p>19) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.</p>	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
A.3	<p><b>HOURLY PERSONNEL RATES</b></p> <p>To confirm standard factual findings 20-21 listed in the next column:</p> <p>I) For unit costs calculated in accordance to the Beneficiary's usual cost accounting practice (unit costs) the Auditor – (if applicable - see Article I.3 of the grant agreement):</p> <ul style="list-style-type: none"> <li>• reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates;</li> <li>• recalculated the unit costs (hourly rates) of staff included in the sample following the results of the procedures carried out in A.1 and A.2 above.</li> </ul> <p>II) For individual hourly rates the Auditor:</p> <ul style="list-style-type: none"> <li>• reviewed the documentation provided by the Beneficiary, including manuals and internal guidelines that explain how to calculate hourly rates;</li> </ul>	<p>20) The Beneficiary applied [<i>choose one option and delete the other</i>]:</p> <p>[Option I: “Unit costs (hourly rates) were calculated in accordance with the Beneficiary’s usual cost accounting practices”- if applicable - see Article I.3 of the grant agreement]</p> <p>[Option II: Individual hourly rates were applied]</p>	



Ref	Procedures	Standard factual finding	Result (C/E/N.A.)
	<ul style="list-style-type: none"> <li>recalculated the hourly rates of staff included in the sample following the results of the procedures carried out in A.1 and A.2 above.</li> </ul> <p><u>UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES:</u> IT IS CALCULATED BY DIVIDING THE TOTAL AMOUNT OF PERSONNEL COSTS OF THE CATEGORY TO WHICH THE EMPLOYEE BELONGS VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF FTE AND THE ANNUAL TOTAL PRODUCTIVE HOURS OF THE SAME CATEGORY CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH PROCEDURE A.2.</p> <p><u>HOURLY RATE FOR INDIVIDUAL ACTUAL PERSONAL COSTS:</u> IT IS CALCULATED BY DIVIDING THE TOTAL AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF ANNUAL PRODUCTIVE WORKING TIME (DAYS/HOURS) VERIFIED IN LINE WITH PROCEDURE A.2.</p>	<p>21) <i>For option I concerning unit costs:</i> The unit costs re-calculated by the Auditor were the same as the rates applied by the Beneficiary. <i>For option II concerning individual hourly rates:</i> The individual rates re-calculated by the Auditor were the same as the rates applied by the Beneficiary.</p>	
A.4	<p><b>TIME RECORDING SYSTEM</b> To verify that the time recording system ensures the fulfilment of all minimum requirements and that the days/hours declared for the action were correct, accurate and properly authorised and supported by documentation, the Auditor made the following checks for the persons included in the sample that declare time as worked for the action on the basis of time records:</p>	<p>22) All persons recorded their time dedicated to the action on a <b>daily/ weekly/ monthly</b> basis using a <b>paper/computer-based</b> system.</p>	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
	<ul style="list-style-type: none"> <li>• description of the time recording system provided by the Beneficiary/Partner (registration, authorisation, processing in the HR-system);</li> <li>• its actual implementation;</li> <li>• time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager;</li> <li>• the days/hours declared were worked within the project period;</li> <li>• there were no days/hours declared as worked for the action if HR-records showed absence due to holidays or sickness (further cross-checks with travels are carried out in B.1 below) ;</li> <li>• the days/hours charged to the action matched those in the time recording system.</li> </ul> <p><i>ONLY THE DAYS/HOURS WORKED ON THE ACTION CAN BE CHARGED. ALL WORKING TIME TO BE CHARGED SHOULD BE RECORDED THROUGHOUT THE DURATION OF THE PROJECT, ADEQUATELY SUPPORTED BY EVIDENCE OF THEIR REALITY AND RELIABILITY (SEE SPECIFIC PROVISIONS BELOW FOR PERSONS WORKING EXCLUSIVELY FOR THE ACTION WITHOUT TIME RECORDS).</i></p>	<p><i>(delete the answers that are not applicable)</i></p> <p>23) Their time-records were authorised at least monthly by the project manager or other superior.</p> <p>24) Days/hours declared were worked within the project period and were consistent with the presences/absences recorded in HR-records.</p> <p>25) There were no discrepancies between the number of days/hours charged to the action and the number of days/hours recorded.</p>	
<b>A.4</b>	<u>If the persons are working exclusively for the action and without time records</u>	26) The exclusive dedication is supported by a	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
	For the persons selected that worked exclusively for the action without time records, the Auditor verified evidence available demonstrating that they were in reality exclusively dedicated to the action and that the Beneficiary signed a declaration confirming that they have worked exclusively for the action.	declaration signed by the Beneficiary's and by any other evidence gathered.	
<b>B</b>	<b>COSTS OF SUBCONTRACTING</b>		
<b>B.1</b>	<p><b>The Auditor obtained the detail/breakdown of subcontracting costs and sampled [xxx] cost items selected randomly</b> (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>To confirm standard factual findings 27-30 listed in the next column, the Auditor reviewed the following for the items included in the sample:</p> <ul style="list-style-type: none"> <li>• the use of subcontractors was foreseen in the Grant Agreement;</li> <li>• subcontracting costs were declared in the subcontracting category of the Financial Statement;</li> <li>• supporting documents on the selection and award procedure were followed;</li> <li>• the Beneficiary ensured best value for money or lowest price (key elements to appreciate the respect of this principle are the award of the subcontract to the bid offering best price-quality ratio or where applicable lowest price principle, under conditions of transparency and equal treatment. In case an existing framework contract was used the Beneficiary ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment);</li> <li>• The requirements laid down under Article II.11 of the Grant Agreement were complied with.</li> </ul>	<p>27) The use of claimed subcontracting costs was foreseen in the Grant Agreement and costs were declared in the Financial Statements under the subcontracting category.</p> <p>28) There were documents of requests to different providers, different offers and assessment of the offers before selection of the subcontractor in line</p>	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
	<p>In particular,</p> <ul style="list-style-type: none"> <li>i. if the Beneficiary/Partner acted as a contracting authority within the meaning of Directive 2004/18/EC or of Directive 2004/17/EC, the Auditor verified that the applicable national law on public procurement was followed and that the subcontracting complied with the Terms and Conditions of the Agreement.</li> <li>ii. if the Beneficiary did not fall under the above-mentioned category the Auditor verified that the Beneficiary followed their usual procurement rules and respected the Terms and Conditions of the Agreement.</li> </ul> <p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> <li>• the subcontracts were not awarded to other Beneficiaries in the consortium;</li> <li>• there were signed agreements between the Beneficiary and the subcontractor;</li> <li>• there was evidence that the services were provided by that subcontractor;</li> </ul>	<p>with internal procedures and procurement rules.</p> <p>Subcontracts were awarded in accordance with the principle of best value for money or lowest price when applicable</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the Beneficiary/Partner under the caption "Exceptions" of the Report. The GSA will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
		29) The subcontracts were not awarded to other Beneficiaries of the action.	
		30) All subcontracts were supported by signed agreements between the Beneficiary and the subcontractor.	
<b>C</b>	<b>COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES</b>		
	<p><b>The Auditor obtained the detail/breakdown of the costs of providing financial support to third parties in the form of sub-grants and sampled [xxx] cost items selected randomly</b> <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest).</i> – <i>if applicable according to the Grant Agreement and conditions were specified in the Annex I of the Grant Agreement.</i></p> <p>The Auditor verified that the minimum conditions as laid down in <b>Article II.12</b> of the Grant Agreement were met, particularly:</p> <ul style="list-style-type: none"> <li>a) the maximum amount of financial support for each third party did not exceed EUR 60,000.00, unless explicitly mentioned in Annex 1;</li> <li>b) the financial support to third parties was agreed in Annex 1 of the Agreement and the other provisions on financial support to third parties included in Annex 1 were respected.</li> </ul>	31) All minimum conditions were met	

Ref	Procedures	Standard factual finding	Result (C/E/ N.A.)
<b>D</b>	<b>OTHER ACTUAL DIRECT COSTS</b>		
D.1	<p><b>COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES</b>  <b>The Auditor sampled [xxx] cost items selected randomly</b> <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest).</i></p> <p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> <li>travel and subsistence costs were consistent with the Beneficiary's usual policy for travel. In this context, the Beneficiary provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the Beneficiary on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy;</li> <li>travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference;</li> <li>no ineligible costs or excessive or reckless expenditure was declared.</li> </ul>	<p>32) Costs were incurred approved and reimbursed in line with the Beneficiary's usual policy for travels.</p> <p>33) There was a link between the trip and the action.</p> <p>34) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.</p> <p>35) No ineligible costs or excessive or reckless expenditure was declared.</p>	



<b>D.2</b>	<p><b>DEPRECIATION, RENTAL AND LEASE COSTS OR CAPITAL EXPENDITURE FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS</b></p> <p><b>The Auditor sampled [xxx] cost items selected randomly</b> <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest).</i></p> <p>For “equipment, infrastructure or other assets” [from now on called “asset(s)”] selected in the sample the Auditor verified that:</p> <ul style="list-style-type: none"><li>• the assets were acquired in conformity with the Beneficiary's internal guidelines and procedures;</li><li>• they were correctly allocated to the action (with supporting documents such as delivery note invoice or any other proof demonstrating the link to the action);</li><li>• they were entered in the accounting system;</li><li>• the extent to which the assets were used for the action (as a percentage) was supported by reliable documentation (e.g. usage overview table);</li><li>• no ineligible costs or excessive or reckless expenditure were declared;</li><li>• procured specifically for the action and in accordance with <b>Article II.19.2(c)</b> of the Grant Agreement;</li></ul>	36) Procurement rules, principles and guides were followed.	
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<p>The Auditor recalculated the depreciation costs and verified that they were in line with the applicable rules in the Beneficiary's country and with the Beneficiary's usual accounting policy (e.g. depreciation calculated on the acquisition value).</p> <p>The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared.</p>	<p>37) There was a link between the grant agreement and the asset charged to the action.</p>	
	<p>38) The asset charged to the action was traceable to the accounting records and the underlying documents.</p>	
	<p>39) The depreciation method used to charge the asset to the action was in line with the applicable rules of the Beneficiary's country and the Beneficiary's usual accounting policy. Additionally, if applicable, the asset was written off in accordance with the international accounting standards and international</p>	





		financial reporting standards, IAS/IFRS	
		40) The amount charged corresponded to the actual usage for the action.	
		41) No ineligible costs or excessive or reckless expenditure were declared.	
		42) If the full purchase costs were declared as eligible costs they were treated as capital expenditure in accordance with the tax and accounting rules applicable to the Beneficiary and were recorded in the fixed assets account of its balance sheet AND do have an economic value at the end of the action OR the purchase in itself is	

		the purpose of the action.	
<b>D.3</b>	<p><b>COSTS OF CONSUMABLES AND SUPPLIES</b></p> <p><b>The Auditor sampled [xxx] cost items selected randomly</b> (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>). For the purchase of goods, works or services included in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> <li>• they were correctly identified, allocated to the proper action, entered in the accounting system (traceable to underlying documents such as purchase orders, invoices and accounting);</li> <li>• the goods were not placed in the inventory of durable equipment;</li> <li>• the costs charged to the action were accounted in line with the Beneficiary's usual accounting practices;</li> <li>• no ineligible costs or excessive or reckless expenditure were declared (see Article II.19 of the Grant Agreement).</li> </ul> <p>In addition, the Auditor verified that these goods and services were acquired in conformity with the Beneficiary's internal guidelines and procedures, in particular:</p> <ul style="list-style-type: none"> <li>• if Beneficiary acted as a contracting authority within the meaning of Directive 2014/24/EC<sup>5</sup> or of Directive 2014/25/EC<sup>6</sup>, the Auditor verified that the applicable national law on public procurement was followed and that the procurement contract complied with the Terms and Conditions of the Agreement.</li> </ul>	43) Costs were allocated to the correct action and the goods were not placed in the inventory of durable equipment.	
		44) The costs were charged in line with the Beneficiary's accounting policy and were adequately supported.	
		45) No ineligible costs or excessive or reckless expenditure were declared. For internal invoices/charges only the cost element was charged, without any mark-ups.	
		46) Procurement rules, principles and	

<sup>5</sup> Directive 2014/24/EC on public procurement and repealing Directive 2014/18/EC.

<sup>6</sup> Directive 2014/25/EC on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC.



	<ul style="list-style-type: none"><li>• if the Beneficiary did not fall into the category above, the Auditor verified that the Beneficiary followed their usual procurement rules and respected the Terms and Conditions of the Agreement.</li></ul> <p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"><li>• the Beneficiary ensured best value for money (key elements to appreciate the respect of this principle are the award of the contract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Auditor also verified that the Beneficiary ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment);</li></ul> <p><i>SUCH GOODS AND SERVICES INCLUDE, FOR INSTANCE, CONSUMABLES AND SUPPLIES, DISSEMINATION, PROTECTION OF RESULTS, SPECIFIC EVALUATION OF THE ACTION IF IT IS REQUIRED BY THE AGREEMENT, CERTIFICATES ON THE FINANCIAL STATEMENTS IF THEY ARE REQUIRED BY THE AGREEMENT AND CERTIFICATES ON THE METHODOLOGY, TRANSLATIONS, REPRODUCTION, ETC.</i></p>	<p>guides were followed. There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules. The purchases were made in accordance with the principle of best value for money.</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the Beneficiary under the caption "Exceptions" of the Report. The GSA will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	
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<b>E</b>	<b>USE OF EXCHANGE RATES</b>		
<b>E.1</b>	<p>a) <u>For Beneficiary /Partners with accounts established in a currency other than euros</u></p> <p><b>The Auditor sampled [xxx] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement</b> (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>):</p> <p><i>COSTS INCURRED IN ANOTHER CURRENCY SHALL BE CONVERTED INTO EURO AT THE AVERAGE OF THE DAILY EXCHANGE RATES PUBLISHED IN THE C SERIES OF OFFICIAL JOURNAL OF THE EUROPEAN UNION (<a href="http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html">http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html</a>), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p> <p><i>IF NO DAILY EURO EXCHANGE RATE IS PUBLISHED IN THE OFFICIAL JOURNAL OF THE EUROPEAN UNION FOR THE CURRENCY IN QUESTION, CONVERSION SHALL BE MADE AT THE AVERAGE OF THE MONTHLY ACCOUNTING RATES ESTABLISHED BY THE COMMISSION AND PUBLISHED ON ITS WEBSITE (<a href="http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm">http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm</a>), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p>	47) The exchange rates used to convert other currencies into Euros were in accordance with the rules established of the Grant Agreement and there was no difference in the final figures	
	<p>b) <u>For Beneficiary /Partners with accounts established in euros</u></p> <p><b>The Auditor sampled [xxx] cost items selected randomly and verified that the exchange rates used for converting other currencies into their accounting currency were in accordance with the following rules established in the Agreement</b> (<i>full coverage is required if there are fewer than 10</i></p>	48) The Beneficiary/Partner applied its usual accounting practices.	



	<p><i>items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest):</i></p> <p><i>BENEFICIARIES MUST CONVERT COSTS INCURRED IN ANOTHER CURRENCY INTO THEIR ACCOUNTING CURRENCY ACCORDING TO THEIR USUAL ACCOUNTING PRACTICES.</i></p>		
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**[legal name of the audit firm]**

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

**[dd Month yyyy]**

**<Signature of the Auditor>**