

## Agreement

### [Cover letter]

The following are the conditions on which *SGH Warsaw School of Economics* *SGH Warsaw School of Economics* ‘the beneficiary’ agrees to engage <***name of the audit firm***> ‘the auditor’ to provide an independent Report of Factual Findings on the Final Financial Report - Type I prepared by the beneficiary in connection with a European Union financed Grant ~~Agreement~~/Decision concerning *CEWSE – Centre of Excellence at Warsaw School of Economics on European Union’s Security and Stability in a new Economic, Social & Geopolitical Settlement* (the ‘Grant ~~Agreement~~’/Decision’). Where in this letter the ‘Agency’ is mentioned this refers to the Agency in its capacity as signatory of the Grant ~~Agreement~~/Decision with the beneficiary, providing the grant funding. The Agency is not a party to this agreement.

#### 1) Responsibilities of the Parties to the Engagement

‘**The beneficiary**’ refers to the organisation that is receiving the grant funding and that has signed the Grant ~~Agreement~~/Decision with the Agency.

- The beneficiary is responsible for providing the Agency with a Final Financial Report for the Action financed by the Grant ~~Agreement~~/Decision which complies with the terms and conditions of the Grant ~~Agreement~~/Decision and for ensuring that this Final Financial Report can be reconciled to the beneficiary’s accounting and bookkeeping system and to the underlying accounts and records. The beneficiary is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Final Financial Report. Notwithstanding the procedures to be carried out, the beneficiary remains at all times responsible and liable for the accuracy of the Final Financial Report.
- The beneficiary accepts that the ability of the auditor to perform the procedures required by this engagement effectively depends upon the beneficiary, and as the case may be its partners / co-beneficiaries, providing full and free access to the beneficiary’s staff and its accounting and bookkeeping system and underlying accounts and records.

‘**The auditor**’ refers to the auditor responsible for performing the agreed-upon procedures as specified in this letter, and for submitting an independent Report of Factual Findings to the beneficiary.

The auditor must be independent from the beneficiary. By agreeing to this engagement the auditor confirms that at least the following condition/(s) has/have been met:

- [Option 1: delete if not applicable] 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.
- [Option 2: delete if not applicable] The auditor is a Competent Public Officer who was not involved in the preparation of the Final Financial and meets at least one of the following competency criteria:
  - 1) Professional experience: minimum three years' professional experience in one of these fields: accounting, financial, taxation and auditing;

2) Qualifications: a level of education which corresponds to completed university studies of at least 4 years attested by a diploma in the accounting, finance and/or auditing field, or professional training/a professional qualification of an equivalent level relevant to these fields.

- [Option 3: delete if not applicable] The auditor is qualified to carry out audits of accounting documents in accordance with national legislation.

The procedures to be performed are specified by the Agency and the auditor is not responsible for the suitability and appropriateness of these procedures.

## **2) Subject of the engagement**

The subject of this engagement is the Final Financial Report in connection with the Grant ~~Agreement~~/Decision Nr – 2016 – 2711 /001 / 001 for the period covering 01.09.2016 to 29.02.2020 and the Action entitled *Centre of Excellence at Warsaw School of Economics on European Union's Security and Stability in a new Economic, Social & Geopolitical Settlement*, the 'Action'. Annex 1 to this letter contains information about the Grant ~~Agreement~~/Decision.

## **3) Reason for the engagement**

The beneficiary is required to submit to the Agency a Report of Factual Findings on the Final Financial Report - Type I in the form of an independent certification produced by an auditor in support of the payment requested by the beneficiary in accordance with ~~Article 1.4 of the Grant Agreement~~ and Article 4 of the Grant Decision. The Agency's Responsible Authorising Officer requires this Report as a condition for the final payment requested by the beneficiary.

## **4) Engagement type and objective**

This constitutes an engagement to perform specific agreed-upon procedures regarding an independent verification of costs claimed under the Grant ~~Agreement~~/Decision. The objective of this expenditure verification is for the auditor to carry out the specific procedures listed in Annex 2 to this letter and to submit to the beneficiary a Report of Factual Findings with regard to the specific verification procedures performed. Verification means that the auditor examines the factual information in the Final Financial Report of the beneficiary.

As this engagement is not an assurance engagement, the auditor does not provide an audit opinion and expresses no assurance. The Agency assesses for itself the factual findings reported by the auditor and draws its own conclusions from these factual findings on the Final Financial Report and the payment request of the beneficiary relating thereto.

The auditor shall include in his/her report the amount of the fees and travel & subsistence reimbursement(s) received for providing the Report of Factual Findings and shall certify that no conflict of interest exists between him/her and the beneficiary in establishing the report.

## **5) Standards and ethics**

The auditor shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the IFAC;
- the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements,

the Agency requires that the auditor is independent from the beneficiary and complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

## **6) Procedures, evidence and documentation**

The auditor plans the work so that effective expenditure verification can be performed. The auditor performs the procedures listed in Annex 2 and applies the related guidelines ('Specific procedures to be performed'). The evidence to be used for performing the procedures in Annex 2 is all financial and non-financial information which makes it possible to examine the expenditure claimed by the beneficiary in the Final Financial Report. The auditor uses the evidence obtained from these procedures as the basis for the Report of Factual Findings. The auditor documents matters which are important in providing evidence to support the Report of Factual Findings, and evidence that the work was carried out in accordance with ISRS 4400 and the specific guidance provided by the Agency.

## **7) Reporting**

The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings in sufficient detail to enable the beneficiary and the Agency to understand the nature and extent of the procedures performed by the auditor.

The use of the reporting template attached hereto (Annex 3 - Compulsory report format and procedures to be performed) is mandatory. This report must be provided by the auditor to SGH Warsaw School of Economics within <xx; number of working days to be indicated by the beneficiary> working days after the day of signature of this engagement.

## **8) Other Terms**

*[The beneficiary and the auditor may use this section to agree other specific terms such as auditor's fees, out of pocket expenses, liability, applicable law, etc.]*

### *Personal data and confidentiality*

The Contractor undertakes to maintain confidentiality and secrecy of any materials, documents or data obtained from the Ordering Party in any way and via any channel in connection with the contract execution and performance for the time period of 3 years of the date of the contract execution.

The Contractor undertakes to maintain confidentiality and proper protection of personal data which he accessed in connection with the contract execution and performance, in accordance with Contract for entrusting the processing of personal data in the meaning of Art. 28 (3) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (Official Journal of the European Union, L 119, 4 May 2016, p. 1 as amended). The Contractor states that he is fully aware of the liability resting on him, including criminal liability, for causing any breach to personal data protection.

Having performed the contract, the Contractor shall, depending on previously made arrangements, immediately destroy or return to the Ordering Party the materials, documents and data which have been made available to him.

### *Auditor's fees*

1. For the performance of the work under the contract the Contractor shall be eligible for a remuneration in the gross amount of up to: ..... PLN (say in PLN: .....).
  2. The remuneration shall be payable: LUMPSUM after the contract is performed in the gross amount of ..... PLN (say in PLN: .....).
  3. The amounts stipulated in section 1 and 2 shall not be raised for the entire time period of the contract.
  4. The receipt or the invoice shall be made out based on signing by the Ordering Party's representative the acceptance report without reservations.
  5. The Ordering Party undertakes to pay the amount indicated in<sup>3</sup>:
    - the receipt – by the 15<sup>th</sup> day of the month, providing the Contractor submits a correctly made out receipt to the Ordering Party by the end of the month preceding the month of payment,
    - the invoice – within 30 days of the date of receiving by the Ordering Party a correctly made out invoice.
- The date of payment shall be the date of submitting by the Ordering Party the payment instruction.
6. The remuneration specified in section 1 and 2 shall also include other Contractor's expenditure incurred in connection with the contract performance and during such performance.

### *Liquidated damages*

1. The Auditor shall pay liquidated damages to the Beneficiary in the eventuality of:
  - 1) contract termination by the Beneficiary due to the reasons being the Auditor's fault or contract termination by the Auditor due to the reasons beyond the Beneficiary's liability - in the amount of 20% of the total gross remuneration,
  - 2) a delay in the work performance, performance of its part or stage – in the amount of 0.5% of the total gross remuneration for each day of the delay.
2. The maximum amount of contractual penalties is 30% of the total gross remuneration
3. Parties may seek damages exceeding the amounts of liquidated damages pursuant to the provisions of the applicable general law.
4. The Auditor agrees to have liquidated damages amounts deducted from the remuneration payable to him.

### *Amendments to the contract*

Any amendments to the contract may be made by mutual agreement of the parties and shall be made in writing, otherwise being null and void.

### *Final provisions*

1. The Civil Code provisions shall apply to any other cases not provided for by this contract.
2. Correspondence shall be sent to the addresses of the parties given in the [price offer](#). Should there occur any changes to such addresses, the parties will inform each other thereof, and if they fail

to comply with this obligation, the correspondence sent to the last address indicated shall be deemed effectively served on the date of the first attempted service by the post operator (a delivery notice or refusal to accept).

3. Potential disputes arising from the contract performance shall be first resolved amicably by the parties, should agreement be not attained, they will be settled by the competent court of the beneficiary's jurisdiction.
4. The contract has been made in two identical counterparts, one for each of the parties.

Signature beneficiary

Signature auditor

## Annex 1 – Information about the Grant Agreement/Decision

[Annex to be completed by the beneficiary]

<b>Information about the Grant Agreement/Decision</b>	
Reference number and date of the Grant Agreement/Decision	Nr – 2016 – 2711 /001 / 001
Programme	Jean Monnet Activities
Grant Agreement/Decision subject	
Country	Poland
Beneficiary	SGH Warsaw School of Economics Al. Niepodległości 162 02-554 Warsaw
Start date of the Action	01.09.2016
End date of the Action	29.02.2020
Total cost of the Action	124.836,90 EUR
Grant maximum amount	99.869,52 EUR
Total amount received to date by the beneficiary from Agency	69 908,66 EUR
Total amount of the payment request	
Auditor	< Name and address of the audit firm and names/positions of the auditors>

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## Annex 2 - Listing of Specific Procedures to be performed

### I. Procedures to be carried out for the Report of Factual Findings on the Final Financial Report - Type I

The Agency has designed these procedures in order to obtain standardised and comparable reports from all auditors, who are expected to carry out the procedures without adaptation for the particular circumstances of the beneficiary. In particular all procedures have to be carried out in full and **unaltered**.

It should be noted that the Responsible Authorising Officer will be in charge of taking the relevant decisions on the eligibility of costs declared in the Final Financial Report.

### II. List of Procedures to be performed and specific guidance

#### *II.1. General procedures*

##### (1) Terms and Conditions of the Grant Agreement/Decision

The auditor obtains an understanding of the terms and conditions of the Grant Agreement/Decision by reviewing:

- a signed copy of the Grant Agreement/Decision, its annexes and other relevant information. Particular attention should be paid to the Description of the Action and the Budget;
- the Final Report (which includes a narrative and a financial section).

The auditor should also verify that the budget in the Final Financial Report corresponds<sup>1</sup> to the budget of the Grant Agreement/Decision and whether there have been amendments to the Grant Agreement/Decision.

Particular attention should be paid to the amendment having an impact on the budget and/or eligibility period.

##### (2) Final Financial Report for the Grant Agreement/Decision

- The Final Financial Report must conform to the model annexed to the ~~Grant Agreement~~ Grant Decision;
- The Final Financial Report should cover the Action or the Work Programme as a whole, regardless of which part of it is financed by the Agency.

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<sup>1</sup> Some degrees of flexibility in the implementation of the budget are allowed. The rule proposed in the grant agreement/decision is that changes of up to 10% of each item/heading (+ or -) are allowed without amendment, and will remain eligible. Please verify the rule in the grant agreement/decision (some grant agreements/decisions have 15% or 20% flexibility). Any changes within the limit specified in the grant agreement/decision didn't require the beneficiary's request for amending the grant agreement/decision.

Changes above the limit did require an amendment of the budget annexed to the grant agreement/decision. If such request was not approved by the Agency, the costs exceeding the limit should be considered ineligible.

### (3) Rules for Accounting and Record Keeping

- The auditor examines whether the beneficiary has complied with the rules for accounting and record keeping in accordance with Articles II.19, II.20 and II.27.2 of the ~~Grant Agreement~~/General Conditions n° 19, 20 and 27.2 of the Grant Decision;
- The accounts kept by the beneficiary for the implementation of the Action must be accurate, up-to-date and exhaustive (including all expenditure and income);
- The auditor examines whether the coordinator has a double-entry book-keeping system;
- The income and expenditure relating to the Action must be easily identifiable and verifiable.

The auditor is only required to perform the four procedures listed above on the coordinator's accounting system and records i.e. there is **no requirement to test the co-beneficiaries/ project partners' accounting systems as well**. However, one would expect to see evidence of transactions between the coordinating beneficiary and cobeneficiaries/ partners recorded in the accounting system of the coordinating beneficiary e.g. transfers of project funds between the two entities. Note, however, that supporting documentation from cobeneficiaries/partners such as invoices and payslips are still required for verification (please see Section II.3.2 below).

#### ***II.2. Verification evidence***

The beneficiary will allow the auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action.

The beneficiary will allow the auditor access to all documents concerning the technical and financial management of the Action (~~Article II.27 of the Grant Agreement~~ and General Condition n° 27 of the Grant Decision). **It should also be noted further that it is the beneficiary's responsibility to obtain the accounting documents necessary to enable the auditor to verify costs incurred by co-beneficiaries/ project partners.**

Supporting documentation must be available in the form of original documents for the beneficiary (or certified copies of originals for the cobeneficiaries) rather than photocopies or facsimiles.

If the auditor encounters any discrepancies/exceptions in carrying out the performance of the procedures detailed in these guidance notes, e.g. missing supporting documentation, the general rule is for the cost item to be corrected in the Final Financial Report to be submitted to the Agency, i.e. the applicable cost is excluded from the Final Financial Report.

There will be many instances where a discrepancy/ exception is not easily rectified by excluding it from the Final Financial Report, for example noncompliant<sup>2</sup> sub-contracting costs or costs incurred during the eligibility period but not yet paid at the date of submission

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<sup>2</sup> Non-compliant means that the sub-contracting costs doesn't respect the Guidelines set in the Grant Agreement/Decision, e.g. the required number quotes for the service to be rendered are missing.

of the Final Financial Report or incurred after the end of eligibility (e.g. cost of audit report). In such instances, the auditor should report this in the dedicated section of report format (see Section IV of this guidance).

Section II.3 contains some specific instances where the auditor is required to report any deviations in the report format irrespective of the fact that the resulting financial errors would have already been corrected in the Final Financial Report, e.g. exchange rates differences or errors in staff time recording.

Where the auditor is in any doubt as to how to deal with a discrepancy/exception, it is recommended that it is reported in the dedicated section of the report format and with a sufficient amount of detail that would allow the Agency to be able to make a decision on the issue.

### ***II.3. Procedures to verify the expenditure***

The following substantive procedures are required to be performed by the auditor to verify expenditure.

#### **(1) All costs are justified by the relevant supporting documents**

The auditor verifies, for each expenditure item, that the criteria set out below have been met.

- Costs actually incurred<sup>3</sup>

The auditor verifies that the items declared in the Final Financial Report were actually incurred by and pertain to the beneficiary. For this purpose the auditor examines supporting documentation (e.g. invoices, contracts) and proof of payment. The auditor verifies that the monetary value of the all expenditure items agrees with underlying documents (e.g. invoices, payroll documents)

- Exchange Rates

The auditor verifies that expenses incurred in a currency other than Euro have been converted in accordance with the provisions of the Grant ~~Agreement~~/Decision. Where the beneficiary is required to use the website of the Commission, this refers to InforEuro<sup>4</sup>.

- Cut-off - Implementation period:

The auditor verifies that the items were incurred during the period of implementation or the eligibility in accordance with ~~Article I.2 of the Grant Agreement~~/ Article 2 of the Grant Decision. Invoices related to the eligibility period but not yet paid at the date of submission of the Final Financial Report as well as those costs incurred after the end of the eligibility period should be detailed in the dedicated section of the report format (see Section IV of this guidance).

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<sup>3</sup> Article II.19 of the Grant Agreement and General Condition n°19 of the Grant Decision.

<sup>4</sup> [http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/inforeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm)

- Compliance with sub-contracting and procurement rules

Where applicable, the auditor examines which procurement rules (as provided for the Grant Agreement/Decision) apply for any given expenditure (sub) heading, class of expenditure or expenditure item. The auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents for the procurement and purchase process, e.g. tenders/quotes. Where the auditor finds instances of noncompliance with procurement rules, the nature of the case and the details of the costs should be included in the dedicated section of the report format (see Section IV of this guidance).

(2) Direct costs<sup>5</sup>:

In addition to carrying out the procedures listed above in point (1), the following procedures need to be performed by the auditor for the specific cost categories listed below.

(c) Staff costs

The auditor verifies that the relevant supporting documents for Staff costs are available and that costs claimed in the Final Financial Report are accurate.

Specifically, the auditor verifies:

- the existence of an employment contract (permanent or temporary) in accordance with relevant national legislation;
- that Staff costs claimed in the Final Financial Report are supported by payslips;
- the time recording of employees (paper/computer, aily/weekly/monthly, signed, authorised). If applicable, this verification might be done by checking the timesheets justifying the number of working days claimed;
- that costs attributable to the project are calculated accurately i.e. the daily rate is correct.

Reminder: for the co-beneficiaries it will be sufficient, for the coordinator, to provide the auditor with the certified copies of staff supporting documents (e.g. payslips).

**Which documents should the beneficiary prepare for the auditor?**

- Employment contracts for the staff in question;
- Payslips;
- Time recording of employees (e.g. time sheets if applicable);
- Detailed calculations supporting the daily cost claimed in the Final Financial Report.

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<sup>5</sup> Article II.19.2 of the Grant Agreement and General Condition n°19.2 of the Grant Decision.

Reminder: for the co-beneficiaries it will be sufficient, for the coordinator, to provide the auditor with the certified copies of staff supporting documents (e.g. payslips).

**(i) Specific considerations for time recording What is the objective of the time recording check?**

This procedure will provide the Agency with the information it needs to assess whether the recording of project time is in line with the costs charged for staff working on the Action.

Normally, time recording should be carried out regularly and authorised by the project manager to ensure that the time worked on the Action can be traced and charged correctly. For the employees declared in the Final Financial Report, the hours charged to the Action should have been accurately recorded in the time recording system. Any discrepancies between the amount charged to the Action and the amount in the recording system (or the absence of a recording system) should be recorded in the dedicated section of the report format (see Section IV of this guidance<sup>6</sup>) and, where possible, the discrepancy should be corrected directly in the Final Financial Report.

**Which documents should the beneficiary prepare for the auditor for the time recording check?**

The beneficiary should provide a description of the time-recording system and, for the employees declared in the Final Financial Report, make available all the time sheets or provide full access to the computer system which records the time of the employees. The auditor should be able to trace the time charged to the time records of each individual employee.

The auditor also verifies the daily rate by dividing the actual personnel costs by the actual working days<sup>24</sup>, and then comparing it to the daily rate charged by the beneficiary.

Reminder: for the co-beneficiaries it will be sufficient, for the coordinator, to provide the auditor with the certified copies of staff supporting documents (e.g. payslips).

**(ii) Specific considerations for the Staff cost reconciliation**

The auditor verifies the daily rate by dividing the actual personnel costs by the actual working days, and then comparing it to the daily rate charged by the beneficiary.

**What is the objective of this procedure for Staff cost reconciliation?**

The objective of this check is to verify that the daily rates being charged have been correctly calculated from the actual underlying cost information for the period in question, namely the costs to the employer (salary / wages

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<sup>6</sup> GUIDANCE NOTES Report of Factual Findings on the Final Financial Report Type I  
([https://eacea.ec.europa.eu/sites/eacea-site/files/annex\\_iii\\_guidance\\_notes\\_audit\\_type\\_i\\_03-2014\\_en.pdf](https://eacea.ec.europa.eu/sites/eacea-site/files/annex_iii_guidance_notes_audit_type_i_03-2014_en.pdf))

including benefits and other employment costs), divided by the number of working days with a reconciliation of the payroll information to the accounting records and payments.

**Which documents should the beneficiary prepare for the auditor for Staff cost reconciliation?**

The actual payroll information for the period in question (base salary, benefits of all kinds, pension contributions, employers' payroll taxes, social security contribution, etc.) and working days<sup>7</sup> figures used to calculate the daily rates. The beneficiary should also provide a reconciliation/calculation showing how the daily rates were calculated from the payroll information.

If the working days or costs of personnel cannot be identified *or justified by the beneficiary*, the related costs should not be included in the Final Financial Report.

Reminder: for the co-beneficiaries it will be sufficient, for the coordinator, to provide the auditor with the certified copies of staff supporting documents (e.g. payslips).

*d) Other direct costs*

For the purpose of these guidance notes, the heading 'Other direct costs' refers generically to all direct cost categories within the approved budget other than Staff costs, for example, travel & subsistence, equipment or production & dissemination costs, etc.

**Which documents should the beneficiary prepare for the auditor?**

For most transactions in these cost categories, it should be sufficient proof of expenditure if the beneficiary has kept original third-party invoices (or certified copies for co-beneficiaries).

For air travel costs, it is noted further that flight tickets and boarding passes may represent suitable documentation where both the cost of the trip and passengers' names/ dates/ start point & destination are evident.

For subsistence costs, reimbursement may be on the basis of actual costs (reimbursement of hotel invoices and restaurant receipts) or daily allowances. The beneficiary should prepare supporting documentation or calculations of daily allowances, whichever is appropriate. The daily allowances rate to be applied is the one from the destination country e.g. the country in which accommodation costs are incurred.

In either case, proof of attendance and overnight accommodation will be required to substantiate the costs declared.

**(3) Indirect Costs**<sup>8</sup>

For flat rate indirect costs: no checks need to be carried out by the auditor.

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<sup>7</sup> See 'Glossary' for a description of 'working days'.

<sup>8</sup> Article II.19.3 of the Grant Agreement and General Condition n°19.3 of the Grant Decision.

**This paragraph applies only to Grants for an Action as in the Operating Grants there are not indirect costs.**

(4) Contributions in kind

If contributions in kind are provide for they must be indicated and valued in the budget for the Action and/or in the Grant Agreement/Decision.

The auditor verifies that the values declared in the Final Financial Report match the values entered in the initial budget.

The auditor verifies that the values entered for the contributions in kind in the Final Financial Report are correct.

***II.4. Procedures to verify revenues***

The auditor examines whether revenues which should be attributed to the Action (including inter alia grants and funding received from other donors, revenue generated by the Action, contributions in kind) have been allocated to the Action and disclosed in the Final Financial Report. For this purpose the auditor should consult the beneficiary and examines documentation obtained from the beneficiary, e.g. income accounts in the General Ledger<sup>9</sup>.

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<sup>9</sup> See 'Glossary' for definition of 'General Ledger'.

### **Annex 3 Compulsory report format and procedures to be performed**

*To be printed on letterhead paper of the auditor*

#### **Independent Report of Factual Findings – Type I on costs claimed under a Grant Agreement/Decision financed under the <insert name> Programme**

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

< Beneficiary's name>

<Address>

<dd Month yyyy>

In accordance with the terms of our engagement letter dated <dd Month yyyy> with <name of the beneficiary> hereinafter referred to as “the beneficiary”, we hereby provide our Independent Report of Factual Findings (“the Report”), as specified below.

#### **Objective**

We [*legal name of the audit firm*], established in [*full address/city/province/country*] represented for signature of this Report by [*name and function of an authorized representative*], have performed agreed-upon procedures regarding the costs declared in the Final Financial Report of [*name of beneficiary*], the beneficiary, to which this Report is attached, and which is to be presented to the Education, Audiovisual and Culture Executive Agency, hereinafter referred to as “the Agency”, under Grant Agreement/Decision [*Grant Agreement/Decision reference number*] for the following period [*insert period covered by the Final Financial Report*]. This engagement involved performing the procedures listed in Annex 2 of the engagement letter, the results of which the Agency uses to draw conclusions as to the eligibility of the costs claimed.

#### **Standards and ethics**

Our engagement was undertaken in accordance with:

- the specific guidance provided by Agency;
- International Standard on Related Services (‘ISRS’) 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants (‘IFAC’);
- the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Agency requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

## **Procedures performed**

As requested, we have only performed the procedures listed in Annex 2 to the engagement letter.

These procedures have been determined solely by the Agency and were performed solely to assist the Agency in evaluating whether the expenditure claimed by the beneficiary in the accompanying Final Financial Report has been claimed in accordance with the Grant Agreement/Decision. The auditor is not responsible for the suitability and appropriateness of these procedures.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Final Financial Report.

Had we performed additional procedures or had we performed an audit or review of the Final Financial Report of the beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

## **Sources of information**

The Report sets out information provided to us by the management of the beneficiary in response to specific questions or as obtained and extracted from the beneficiary's information and accounting systems.

## **Factual findings**

The above-mentioned Final Financial Report was examined and all procedures specified in Annex 2 to our engagement letter were carried out.

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

On the basis of the results of these procedures, we found that the total expenditure declared in the Final Financial Report has been justified to us by the beneficiary with the relevant documentation as foreseen in Annex 2 to the engagement letter.

<We report the details of the exceptions which result from the procedures that we performed in Annex of this Report.>

## **Exceptions [delete if not applicable, i.e. no exceptions have been identified]**

### **i) Cases of non-compliance:**

- a) Staff costs: please report any discrepancies between the amount of time charged to the Action and the amount in the recording system
- b) Exchange rate: please report any discrepancies between the amount of expenditure incurred in a currency other than Euro and the related value declared in the Final Financial Report
- c) Eligibility period: please report details of invoices related to the eligibility period but not yet paid at the date of submission of the Final Financial Report as well as those costs incurred after the end of the eligibility period
- d) Sub-contracting/ procurement: please report the nature of the non-compliance and details of the costs affected

e) Other direct costs: please report the nature of the non-compliance and details of the costs affected

*For all instances, please provide sufficient details on the issues concerned, e.g. amount of transaction, date of transaction, invoice or reference number, name of supplier.*

**ii) Additional information for the consideration of the Agency**

*This section shall be used by the auditor to signal any issue which does not fall into the categories listed in Section i) above.*

**Use of this Report**

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

This Report is prepared solely for the confidential use of the beneficiary and the Agency and solely for the purpose of submission to the Agency in connection with the requirements as set out in Articles Article I.4 of the Grant Agreement/ Article 4 of the Grant Decision. This Report may not be relied upon by the beneficiary or by the Agency for any other purpose, nor may it be distributed to any other parties. The Agency may only disclose this Report to others who have regulatory rights of access to it, in particular the European Commission, the European Anti-Fraud Office and the Court of Auditors.

This Report relates only to the Final Financial Report specified above and does not extend to any other financial statements of the beneficiary.

No conflict of interest exists between the auditor and the beneficiary in establishing this Report. The fee paid to the auditor for providing the Report was EUR \_\_\_\_\_ while a total of EUR \_\_\_\_\_ has been reimbursed to the auditor for the related travel & subsistence.

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

*[legal name of the audit firm]*

*[name and function of an authorised representative]*

**<dd Month yyyy>, <Signature of the auditor>**

**NB: please attach the following document**

The cost breakdown relating to the Action (as per the model annexed to the Grant Agreement/ Grant Decision, i.e. the Excel Final Financial Report), compiled, dated and signed the beneficiary and countersigned by the auditor (or competent public officer).