TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT EXTERNAL ACTION OF THE EUROPEAN UNION

The present terms of reference apply to the verification of expenditure declared in financial reports under the following contracts:

1) Grant Contract[1] number and title of the action: <22-SB3854 Energy Efficient Lighting and Environmentally Friendly Lighting Disposal on Montserrat, RES-38/MNI>

[2) Grant Contract[2] number and title of the action: <Amendment N◦1 of 22-SB3854 Energy Efficient Lighting and Environmentally Friendly Lighting Disposal on Montserrat, RES-38/MNI >]

[3) Grant Contract[3] number and title of the action: <Amendment N◦2 of 22-SB3854 Energy Efficient Lighting and Environmentally Friendly Lighting Disposal on Montserrat, RES-38/MNI >]

[4) Grant Contract[4] number and title of the action: <Amendment N◦3 of 22-SB3854 Energy Efficient Lighting and Environmentally Friendly Lighting Disposal on Montserrat, RES-38/MNI >]

Detailed information is provided at the cover page of Annex 1

1 Contract in relation to which the financial report subject to verification is issued. The contract established with the expenditure verifier will be identified as "Verification Contract".

2 Contract in relation to which the financial report subject to verification is issued. The contract established with the expenditure verifier will be identified as "Verification Contract".

3 Contract in relation to which the financial report subject to verification is issued. The contract established with the expenditure verifier will be identified as "Verification Contract".

4 Contract in relation to which the financial report subject to verification is issued. The contract established with the expenditure verifier will be identified as "Verification Contract".

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8 ANNEXES 6

1 Introduction

The present document and the Annexes listed in Section 8 are the terms of reference ('ToR') on which the Coordinator (The term "Coordinator" refers to the Beneficiary identified as the Coordinator in the Special Conditions) agrees to engage 'the Expenditure Verifier' to perform a verification of reported expenditure.

Where in these ToR the 'Contracting Authority' is mentioned, this refers to the Expertise France which has signed the Grant Contract with the Beneficiary and is providing the grant funding. The Contracting Authority is not party to this agreement.

These ToR will become an integral part of the contract concluded between the Coordinator and the Expenditure Verifier.

They apply to expenditure verifications contracted by the Coordinator and cover the verification of expenditure incurred under the EU financed contracts on the cover sheet.

2 Objectives and context

The Expenditure Verifier is expected

- to carry out the agreed-upon procedures listed in Annex 2, and

- to issue reports based on the template in Annex 3 which will support the Contracting Authority's conclusions on the eligibility of the reported expenditure and the related follow-up.

The expenditure verification will be performed as a desk review.

The Expenditure Verifier is not expected to provide an audit opinion.

3 Standards and Ethics

The Expenditure Verifier shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 (Revised) Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

  Although ISRS 4400 (Revised) provides that independence is not a requirement for agreed-upon procedures engagements, the Coordinator requires that the Expenditure Verifier is independent from the Coordinator and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

4 Requirements for the Expenditure Verifier

By agreeing this ToR, the Expenditure Verifier confirms meeting at least one of the following conditions:

- The Expenditure Verifier is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- The Expenditure Verifier is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Expenditure Verifier commits to undertake this expenditure verification in accordance with the IFAC standards and ethics set out in these ToR.
- The Expenditure Verifier is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state)[5].
- The Expenditure Verifier is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

5 Scope

5.1 Contracts and Financial Reports covered by these ToR

The Contract(s) and Financial Reports subject to this expenditure verification are indicated on the cover sheet and in Annex 1.

5.2 Conditions for Eligibility of Expenditure

The conditions for eligibility are stipulated in the Contracts which are provided in Annex 1 (including riders).

6 Verification Process and Methodology

6.1 Preparation of the Verification

The Expenditure Verifier shall prepare the verification and to agree on the timing for carrying out the expenditure verification, notably with regard to fieldwork (if any) (see Section 6.2. for applicable maximum time lags). The Expenditure Verifier will then also confirm with the Coordinator the location(s) indicated in Annex 1 and ensure that relevant supporting documents as well as key staff will be available during the verification.

6.2 Preparatory Meeting, Fieldwork, Desk Review

The Coordinator foresees a preparatory meeting with the Expenditure Verifier which will be held by conference call.

The desk review shall commence as soon as possible and not later than five (5) calendar days after the signature of the verification contract or the date of availability of the Financial Report (i.e. financial report, supporting documents and other relevant information).

---

[5] Directive 2006/43 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.

6.2.1 Engagement Context, Materiality, Risk Analysis, Sampling

The Expenditure Verifier's procedures should include:

- obtaining a sufficient understanding of the engagement context including the contractual conditions, the Coordinator and the applicable EC laws and regulations which are set out in Section 5 above (Scope). The Expenditure Verifier should pay specific attention to the contractual provisions relevant for the following aspects:
    - documentation, filing and record keeping for expenditure and income;
    - eligibility of expenditure and income;
    - procurement and origin rules insofar as these conditions are relevant to determine the eligibility of expenditure;
    - asset management (management and control of fixed assets; e.g. equipment).
    - cash and bank management (treasury);
    - payroll and time management;
    - accounting (including the use of exchange rates) and financial reporting of expenditure and income; and
    - internal controls and notably financial internal controls.

The understanding should be sufficient to identify and assess the risks of material errors or misstatements in the expenditure and revenue stated in the Financial Report in order to determine the size and structure of the expenditure sample to be tested, whether caused by error or fraud, and sufficient to design and perform further verification procedures.

- performing a risk analysis (Annex 2).

The outcome of the risk analysis has to be clearly described in the Verification Report (Annex 3, Section 2.1);

- determining the sample size;

For the purpose of determining what the overall material misstatement or error is, the Expenditure Verifier will apply a materiality threshold of 2% of the total amount of the gross reported expenditure with a confidence level of 95%.

- establishing the sample and selecting the individual items for testing (Annex 2).

The link between the risk assessment and the size and composition of the sample, as well as the sampling method (statistical/non-statistical) must be clearly described in the Verification Report (Annex 3, Section 2.2);

6.2.2 Fieldwork / Desk Review

The main task during the fieldwork or desk review will be to perform the substantive tests (Annex 2, Section 2). Key information about the testing process must be provided in the Verification Report (Annex 3, Section 4).

6.2.3 Debriefing Memo and Closing Meeting

At the end of the fieldwork or desk review, the Expenditure Verifier should prepare a debriefing memo, organize a closing meeting with the Coordinator in order to discuss the findings, obtain its initial comments and agree on additional information to be provided at a later date.

6.2.4 Documentation and Verification Evidence

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 declared in the Financial Report.

The Expenditure Verifier 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 (Revised) and these ToR.

6.3 Reporting

6.3.1 Structure and Content of the Report

The use of the Expenditure Verification Report template in Annex 3 of these ToR, including the annexed tables, is **compulsory**.

If the verification scope covers Financial Reports related to different Contracts, a separate and specific report should be issued for each Contract.

The report should provide basic information about the Contract and should describe the outcome of the risk analysis and its implications on the sampling. The report should also give an overview of the substantive testing and fully disclose the information regarding the items included in the expenditure population and in the sample. The report should finally detail the findings identified through the performance of the agreed-upon procedures.

The report should be presented in English.

The Expenditure Verifier will submit within **ten (10)** working days of the conclusion of the field work a draft report to the Coordinator for comments to be received within **five (5)** working days. This delay expired, the Expenditure Verifier will provide the final report to the Coordinator within **five (5)** working days from the receipt of the comments (if any).

6.3.2 Expenditure Verification Findings and Recommendations

The factual findings shall be reported in accordance with the formats and criteria specified in the Expenditure Verification Report template (Annex 3). The description of findings will include the standard applied (e.g. art. xx of the General Conditions of the Contract), the facts and the analysis of the Expenditure Verifier.

The verification report should include all financial findings made by the Expenditure Verifier, regardless of the amount involved. Changes in the financial findings occurring between the draft and final report as a result of the consultation procedure should be clearly and sequentially reported.

7 Other Matters

7.1 Subcontracting

The Expenditure Verifier will not subcontract without prior written authorisation from the Coordinator.

8 Annexes

Annex 1 - Engagement Context / Key Information

Annex 2 – Guidelines for Risk Analysis and Verification Procedures

Annex 3 - Model for Expenditure Verification Report

Annex 1: Engagement Context / Key Information

Contract[6] and report summary

Information about the Grant Contract	
Reference number and date of the Grant Contract	22-SB3854 09/09/2022
Grant contract title	Energy Efficient Lighting and Environmentally Friendly Lighting Disposal on Montserrat
Country	Montserrat
Coordinator	Government of Montserrat Ministry of Finance and Economic Management PO Box 292, Brades, MSR1110, Montserrat
Beneficiary(ies) and affiliated entity(ies)	Mr. Kenya Lee Financial Secretary (Ag) Ministry of Finance and Economic Management P O Box 292, MSR1110, Brades, Montserrat Department of Energy Ministry of Communication, Works, Labour and Energy Brades, Montserrat
Start date of the implementation period of the Action	10/09/2022
End date of the implementation period of the Action	09/03/2025
Financial Report(s) subject to verification:	10/09/2022-10/03/2023 10/09/2022-10/09/2023 10/09/2022-31/03/2024 10/09/2022-09/09/2024 10/09/2022-09/03/2025
Total amount received to date by the Coordinator from Contracting Authority	€157,201 (XCD $440,925.88) as per 10/02/2025
Total amount of the payment request	€157,201
Contracting Authority	Expertise France Département Développement Durable For the attention of Mr Hugo Hadet 40, Boulevard de Port-Royal 75005 PARIS - France hugo.hadet@expertisefrance.fr
European Commission	N/A
Auditor	< Name and address of the audit firm and names/positions of the auditors>

[6] Contract in relation to which the financial report subject to verification is issued. The contract established with the expenditure verifier will be identified as "Verification Contract"

A	Logistics	
Issue	**Question**	**Reply**
Locations	1. Where do the Coordinator and other Beneficiary(ies) and affiliated entity(ies) retain the accounting records?	**Within the Ministry of Communication, Works, Labour and Energy.**
	2. Where do the Coordinator and other Beneficiary(ies) and affiliated entity(ies) retain the original supporting documents?	**Within the Ministry of Communication, Works, Labour and Energy.**
	3. Where were contractual activities carried out?	**On Montserrat**
	4. Where are key project staff available to provide information and explanations?	**Within the Ministry of Communication, Works, Labour and Energy and via email.**
Languages	5. Which is the contractual language?	**English**
	6. Which is the language of the accounting records?	**English**
	7. Which are the languages of supporting documents?	**English**
	8. Which languages are spoken by key project staff?	**English**

B	Contractual Conditions	
Contract amount	9. What is the total amount of the contract?	€174,668
EC contribution	10. What is the amount of the EC contribution?	N/A
Other contributions	11. Which are the other sources of funding (including the Coordinator)?	Source 1 / amount **European Union and Expertise France / €174,668**
		Source 2 / amount
		Source 3 / amount
		Source 4 / amount
		Source 5 / amount

C	Financial Report (enclosed as Annex 1.1)	
Financial report	12. Approximately how many expense transactions have been reported / are expected to be reported in the Financial Report?	**65**
	13. What is the distribution of these transactions (e.g. capital expenditure, operating expenditure, fees, simplified costs, per diem, etc.), Are the transactions few/many of large/small value?	**The transactions are a mixture of type and value.**
	14. To what extent have Project transactions been carried out in cash?	**[low]**
	15. In which currencies has expenditure been incurred?	**Eastern Caribbean Dollar and United States Dollar**

	16. What is the reporting currency?	**Eastern Caribbean Dollar and Euro**
	17. How many other Financial Reports have already been presented by the Coordinator under this contract?	**Reports noted above are all of the reports available.**

D	**Procurement**	
Procurement	18. How many procurement procedures have been undertaken during the period covered by the Financial Report?	**Six (6)**
	19. Was the EC involved in any of the procurement procedures referred to in question 18 (e.g. ex-ante verifications or derogations to the rule of origin)?	**No**
	20. Are works done and supplies delivered under the contract located centrally or are they dispersed?	**Dispersed**

E	**Previous contracts verifications, audits or monitoring**	
Previous verifications, audits or monitoring	21. Which previous experience did the Entity have with EC contracts and associated regulations?	**Government of Montserrat has extensive experience with European Development Funding Programmes, which all come with their own contracts, stipulations and regulations.**
	22. How many of the previously presented Financial Reports (if any) have been subject to audit/verification by external consultants contracted by the Coordinator?	**None**
	23. Have any verification, audit or monitoring exercises other than those referred to under numeral 22 been carried out with regard to the contract or the Coordinator that are relevant for the scope of the current verification?	**N/A**
	24. Have any significant findings been raised under the exercises referred to in questions 22 and 23? If so, what are they?	**N/A**
	25. Have any instances of fraud or irregularities been previously identified in dealings with the particular Entity?	**N/A**

F Contact Details

Coordinator: Government of Montserrat

Address	Ministry of Finance and Economic Management P O Box 292, MSR1110, Brades	Country	Montserrat
Phone	1-664-491-2777/3057	Fax	
Website			

Key contact Mr. Kenya Lee, Financial Secretary (Ag)

Annex 1/<… >.1: Financial Report(s) to be verified

Annex 1/<… >.2: Contract and riders

<Other documents to be sent to the Auditor, (e.g. narrative reports, previous audit reports)>

Annex 2: Guidelines for risk analysis and Verification procedures

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1. RISK ANALYSIS AND DETERMINATION OF THE SAMPLE

The Expenditure Verifier should assess the risks of material errors or misstatements in the expenditure and revenue declared in the Financial Report in order to determine the size and structure of the expenditure sample to be tested according to the procedures described in Section 2.

This work involves an assessment of the inherent risks that:

- The Financial Report is not reliable, i.e. that it does not present, in all material aspects, the actual expenditure incurred and the revenue received in conformity with applicable conditions.
- Expenditure declared in the financial report has not, in all material aspects, been incurred in conformity with applicable contractual conditions.
- Revenues generated by the Coordinator in the execution of the contract are not deducted from the declared expenditure in conformity with applicable conditions.
- Fraud and irregularities have occurred which could have had an impact on expenditure and/or revenue reported under the contract.

The Expenditure Verifier should assess the inherent risk based, inter alia, on the number and complexity of the transactions, the complexity of the activities provided for by the Contract, the number of implementing Entities involved and the environment where the Contract is implemented. In addition, the Expenditure Verifier, based inter alia on the information provided in annex 1 to the Terms of Reference (*Engagement Context / Key Information*) will consider the control risk, i.e. whether the design of the Internal Control System sufficiently mitigates the identified inherent risks and whether it is plausible that it is operating effectively.

2. EXPENDITURE VERIFICATION PROCEDURES

The following checks must be performed by the Expenditure Verifier unless they are irrelevant in relation to the eligibility criteria applicable to the contract type. Therefore the Expenditure Verifier is required to gain appropriate understanding of such requirements in order to carry out only the relevant checks and properly apply the relevant eligibility requirements.

2.1 The expenditure was incurred by and pertains to the Entity.

2.2 The expenditure is recorded in the accounting system of the Coordinator and other Beneficiary(ies) and affiliated entity(ies)

The expenditure is recorded in the accounting system of the Coordinator and other Beneficiary(ies) and affiliated entity(ies) in accordance with the applicable accounting standards and the Coordinator's usual cost accounting practices.

2.3 Expenditure incurred during the contractual eligibility period

The expenditure declared in the financial report was incurred during the contractual implementation period of the Action, except for expenditure relating to final reports, expenditure verification, audit and evaluation. Expenditure paid after the submission of the financial report, is listed in the final report along with the estimated date of payment.

2.4 Expenditure indicated in the contractual estimated budget

The expenditure included in the financial report was indicated in the contractual budget.

The applicable budget ceilings were not exceeded.

The expenditure has been allocated to the correct heading of the Financial Report.

2.5 Expenditure necessary for the implementation of the contractual activities, reasonable and justified

It is plausible that the direct and indirect expenditures included in the financial report were necessary for the implementation of the contractual activities.

The amount of the expenditure items included in the financial report is reasonable and justified and respects the principle of sound financial management.

2.6 Expenditure identifiable and verifiable

The expenditure is backed up by sufficient supporting documentation (e.g. invoices, contracts, order forms, pay slips, time sheets) and proof of payment.

Where expenditure was apportioned, the applied allocation key was based on sufficient, appropriate and verifiable underlying information.

The expenditure is backed up by evidence of works done, goods received or services rendered. The existence of assets is verifiable.

2.7 Compliance with Procurement Principles and Nationality and Origin Rules

For the expenditure items concerned, the Coordinator has complied with the contractual requirements for procurement. Contractual nationality and origin rules have been applied, including those on derogations to be awarded by the Commission.

2.8 Expenditure complies with the requirements of applicable tax and social legislation

For the expenditure items concerned, the Coordinator complies with the requirements of tax and social security legislation (for example: employer's part of taxes, pension premiums and social security charges).

2.9 Financial support to third parties (sub-granting)

Financial support to third parties is provided for by the contractual conditions and its amount does not exceed the contractual limits.

The expenditure incurred by the third parties meets the relevant eligibility requirements. In particular it was incurred by and pertains to the third party, during the contractual eligibility period, is necessary for the implementation of the contractual activities and is identifiable and verifiable (see definition at point 2.6).

2.10 Other eligibility requirements

Duties, taxes and charges, (e.g. VAT) included in the financial report cannot be recovered by the Entity unless otherwise provided for in the contractual conditions (accepted costs system). In the latter case, these expenses are reported separately and relate to eligible direct expenditure.

The correct exchange rates are used where applicable.

The contingency reserve has been established in accordance to the contractual conditions and its use authorised by the Contracting Authority.

The indirect costs do not exceed the maximum contractual percentage of the eligible direct costs and do not include ineligible expenses or expenses already declared as direct ones.

Contributions in kind are not included in the financial report, unless otherwise provided for in the contractual conditions.

Expenditure specifically considered ineligible by the contractual conditions is not included in the financial report.

Expenditure declared under the simplified cost options respects the contractual requirements.

The revenues generated by the Coordinator in the execution of the contract are disclosed in the financial report and deducted from the declared expenditure, unless otherwise provided for in the contractual conditions.

<Annex 3: Model for > Expenditure verification Report (based on agreed-upon procedures)

<To be printed on AUDITOR'S letterhead>

Report for an Expenditure Verification of a Grant Contract

External Actions of the European Union

<Title of and number of the grant contract >

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

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 Terms of Reference 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 Terms of Reference 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 'Terms of Reference for an Expenditure Verification'. The Terms of Reference 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	grant 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>
Coordinator and other Beneficiary(ies) and affiliated entity(ies)	< Identify the Coordinator and other Beneficiary(ies) and affiliated entity(ies) and provide key information about their legal form, nationality, size, main field(s) of activity and other elements deemed relevant – max 200 words>
Location(s) where the Contract is implemented	
Contract execution period	
Contract implementation status	< indicate on-going or completed >
General and specific objectives of the Contract	
Synthetic description of the activities, outputs and target group	<max 300 words>

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

1.2.1 Expenditure

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

1.2.2 Contributions

Source of Contribution	**Budgeted Contribution (amount)**	**Actual Contribution (amount)**
EU		
Coordinator		
Other Beneficiary(ies) and affiliated entity(ies)		
…		
Other Donor 1		
…		
Total		

1.2.3 Revenues

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

1.3. Verified Financial Reports

See annex 3.1

2. Risk analysis

2.1. Outcome of risk analysis

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

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

In addition, please identify possible mitigating factors.

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

2.2 Implications on the sampling

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

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

3. Transaction population and sample

Sampling Highlights/Overview

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

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

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

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

4. Substantive testing

Short description of the testing process

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

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

Provide the 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 auditee were present, if they were cooperative, if the supporting documentation was available in full, if additional documents had to be received after the field mission, whether evidence of the equipment transfer is available, if physical inspections were performed, any scope limitations, etc. (max. 300 words)>

5. Summary of findings

5.1 Description of findings detected

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

5.2 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 audit>

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

Annex 3.1: Financial reports provided by the auditee

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