

TERMS OF REFERENCE FOR REPORT OF FACTUAL FINDINGS
ON EXPENDITURES DECLARED UNDER AN INTERIM/FINAL
REPORT



<<The Terms of reference should be printed on auditor's letterhead>>

<<Fill in the fields in color with relevant data. Fields in brackets highlighted in grey should be removed from the final TOR if not applicable. In case when you are required to choose one from proposed Options, remove other from the TOR. For each reporting period a separate ToR must be signed>>

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

[insert name of the Project Partner] ('the Project Partner')

agrees to engage

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

to produce an independent Report of Factual Findings ('the Report') concerning the eligible expenditures declared within *Interim/Final Report(s) no. [number(s) of report(s)]* covering period from *dd-mm-yyyy* to *dd-mm-yyyy* by the *[insert name of Project Partner]* for the EEA and Norway Grants Fund for Regional Cooperation under the Project Contract *[insert number of the Project Contract, title, and duration from/to]* ('the Project Contract').

General information

The Project Contract has been concluded under the EEA and Norway Grants Fund for Regional Cooperation between the Lead Partner representing the Project Consortium and the Fund Operator ('FO').

Where in these ToR, the FO is mentioned, this refers to ECORYS Poland, which has signed the Project Contract with the Lead Partner, and JCP Italy. The EEA and Norway Grants is not a party to this agreement.

The Report is composed of the following:

- The ToR to be signed by the Project Partner and the Auditor,
- The Report to be issued on the Auditor's letterhead, dated, stamped and signed by the Auditor 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.

Subject of the engagement

The subject of this engagement is the *[Interim/Final] Report(s)* related to the Project Contract for the period covering *<dd-mm-yyyy to dd-mm-yyyy>*.

Responsibilities of the Parties to the Engagement

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The Project Partner accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Project Partner, providing full and free access to project staff, its accounting and bookkeeping system, underlying accounts and records, as well as any relevant information.

The Project Partner:

- must draw up the financial part of the *Interim/Final Report(s)* for the expenditures incurred under the Project Contract in compliance with the obligations under the Project Contract. The financial part of the report must be drawn up according to the Project Partner's accounting and book-keeping system and the underlying accounts and records,
- must provide the financial part of the *Interim/Final Report(s)* to the Auditor including all supporting documents in originals,
- is responsible and liable for the accuracy of the financial part of *the Interim/Final Report(s)*,
- is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures,
- accepts that the Auditor cannot carry out the Procedures unless it is given full access to the project partner's staff and accounting as well as any other relevant information, records and documentation.

The Auditor is responsible for performing the agreed-upon procedures as specified in these ToR.

"Auditor" refers to:

- the audit firm¹ or the person, contracted for performing this engagement and for submitting a report of factual findings to the Project Partner and meeting at least one of the following conditions
 - 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');
 - is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor holds valid internationally recognised certification, and commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics;
 - 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);

¹ The Leader of the engagement team, signing the Report must meet at least one of the above conditions.

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- 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).
- a competent and independent public officer recognised by the relevant national authorities as having a budget and financial control capacity over the entity incurring the costs and who has not been involved in the preparation of the financial statements, certifying that expenditure declared in an Interim/Final Report has been incurred in accordance with the provisions of the Project Contract, national law and relevant national accounting principles.

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 IFAC Code of Ethics for Professional Accountants (developed and issued by IFAC's International Ethics Standards Board for Accountants, 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 provides that independence is not a requirement for agreed-upon procedures engagements, the FO requires that the Auditor is independent from the Project Partners and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

Procedures, Evidence and Documentation

The scope of verification covers 100% of expenditures declared under an *Interim/Final Report(s)* no(s)___ covering period from dd-mm-yyyy to dd-mm-yyyy.

The Auditor should plan the work so that the procedures can be effectively performed.

The Auditor performs the procedures listed in Annex 1 to the Report ("Listing of specific procedures to be performed").

The evidence to be used for performing the procedures is all the information — financial and not financial related but relevant to the project implementation — which makes it possible to examine the expenditure claimed by the Project Partner in *the Interim/Final Report(s)*. The Auditor uses the

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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, and evidence that the work was carried out in accordance with ISRS 4400 and these ToR.

The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail to enable the Project Partner and the FO to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor.

As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The FO assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings.

Reporting

The Report must be written in English. The use of the model Report integral to this ToR is compulsory. The FO, the Financial Mechanism Office ('FMO'), the EFTA Board of Auditors, as well as the Auditor General of Norway have the right to audit any work that is carried out under the action and for which costs are declared from Norway Grants Fund for Regional Cooperation budget. This includes work related to this engagement. Within the period up to 5 years starting from the date of the Final Payment, The Auditor must provide all necessary explanations and 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 FO, the FMO, the EFTA Board of Auditors, as well as the Auditor General of Norway request them. If the Auditor believes, based on the collected evidence that there is high probability of the fraud in the examined project, he/she must report this in writing directly to the FO.

Timing

The Report should be provided by [dd-mm-yyyy].

Fee

The fee for this engagement shall be <fee amount and currency>

[The Project Partner should specify any reimbursable expenses and allowances (e.g. travelling) agreed with the Auditor and whether VAT and/or other relevant taxes are included in the fees/expenses.]

Other Terms

[The Project Partner 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]

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For the Project Partner:

Signature <name and function>

For the Auditor:

Signature <name and unction>

Appendix: (model) Report of factual findings on expenditures declared under an *Interim/Final* Report.

TEMPLATE

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