

**First Childrens Embassy in the World Megjashi**

**Report of Factual Findings**

For the period covering  
23 December 2008 to  
22 December 2009



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Mr. Dragi Zmijanac  
*Executive Director*  
First Childrens Embassy in the World Megjashi  
Building a Culture of Child Participation  
financed grant contract for external actions of the  
European Community, EIDHR/2008/169-156  
Kosta Novakovic street 22  
1000 Skopje  
Macedonia

23 March 2010

## **REPORT OF FACTUAL FINDINGS**

To: First Childrens Embassy in the World Megjashi / Building a Culture of Child Participation

In accordance with our agreement dated 5 January 2010 with First Childrens Embassy in the World Megjashi / Building a Culture of Child Participation (“the Beneficiary”, “you” or “your”), the Auditor (“we”, “us” or “our”) provide the Report of Factual Finding (“the Report”), with respect to the accompanying Interim Financial Report for the period covering 23 December 2008 to 22 December 2009 (Annex I of this Report). You requested certain procedures to be carried out in connection with your Interim Financial Report and the European Community financed Grant Contract concerning Building a Culture of Child Participation / EIDHR/2008/169-156, the “Grant Contract”, or the “Action”.

### **Objective**

Our engagement was an engagement to perform certain agreed-upon procedures with regard to Interim Financial Report for the Grant Contract between you and the European Community, represented by the Commission of the European Communities (“the Contracting Authority”). The objective of this expenditure verification is for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

### **Standards and Ethics**

Our engagement was undertaken in accordance with:

- 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 Contracting Authority 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 2A of the agreement for this engagement (see Annex 2 of this Report).

These procedures have been determined solely by the Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditures claimed by you in the accompanying Interim Financial Report is eligible in accordance with the terms and condition of the Grant Contract.

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 accompanying Interim Financial Report.

Had we performed additional procedures or had we performed an audit or review of the financial statements 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 you in response to specific questions or as obtained and extracted from your accounts and records.

## **Factual Findings**

The total expenditure which is the subject of this expenditure verification amounts to 54,926€.

The Expenditure Coverage Ratio is 66%. This ratio represents the total amount of expenditure verified by us expressed as a percentage of the total expenditure which has been subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by you in the Interim Financial Report and claimed by you for deduction from the total sum of pre-financing under the Grant Contract as per your Request for Payment of 23 March 2010.

We report the details of our factual findings which result from the procedures that we performed in Chapter 2 of this report.

## **Use of this Report**

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

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the Grant Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority is not a party to the agreement between you and us and therefore we do not owe or assume a duty of care to the Contracting Authority who may rely upon this expenditure verification report at its own risk and discretion. The Contracting Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.



The Contracting Authority 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 European Court of Auditors.

This Report relates only to the Interim Financial Report specified above and does not extend to any of your financial statements.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gordana Nikushevska'.

Gordana Nikushevska

*Partner, Audit*

23 March 2010

## **Report details**

### **Chapter 1**

#### **Information about the Grant Contract**

The overall objective of the Action is to strengthen the capacity of NGO's and children in monitoring and reporting of child's rights situation at the local and national level in Macedonia.

In order to achieve this objective, the project is aiming to:

- Increase the capacity of NGOs to monitor the UN Convention of the rights of the child, optional protocols and other international instruments important for protection of child's rights,
- Increase cooperation among NGOs in Macedonia in monitoring children's rights,
- Strengthen the role of children in monitoring of child rights and child participation processes.

Following outputs and results are expected by the end of the project:

- Established The Informal Network for NGOs for Monitoring of Children's Rights,
- Having methodology and tools for monitoring of child rights implementation at local and national level,
- Strengthened capacity of children's groups and NGOs,
- Children and NGOs actively involved in monitoring and reporting of child rights,
- Awareness about child's participation and increased child's rights at local and national level.

In order to achieve the project goals the following five types of activities are undertaken:

- Establishing Informal Network of NGOs for Monitoring of Children's Rights,
- Trainings, workshops. The topics of the trainings are: Basic child rights, monitoring and reporting of the child rights and child participation. The workshops are related to questions coming from the participants during the project,
- Shadow Report/Study of child rights situation in Macedonia/alternative report in preparation of which children are involved in a way that the children conduct a research and analysis by themselves, and the adults' role would be only facilitating the process. For preparing these reports, the mentors and the trainers previously carry out a work with the NGOs and the children on the methodology, the indicators and the tools,
- Publications, manuals, promotional materials,
- First conference in Republic of Macedonia on the topic of Child Participation prepared by the children and for the children, for the representatives from the Ministries, the Embassies, the UE and other relevant institutions.

<b>Information about the Grant Contract</b>	
Reference number and date of the Grant Contract	EIDHR/2008/169-156 22.12.2008
Grant contract title	Building a Culture of Child Participation
Country	Republic of Macedonia
Beneficiary	First Children's Embassy in the World Megjashi – Republic of Macedonia Association  Kosta Novakovic 22 1000 Skopje Republic of Macedonia
Budget line Grant Contract	European Commission
Legal basis for the Grant Contract	
Start date of the Action	23 December 2008
End date of the Action	23 March 2010
Total cost of the Action	87,402.00 EUR
Grant maximum amount	69,921 EUR
Total amount received to date by the Beneficiary from Contracting Authority	46,258.56 EUR
Total amount of the payment request	16,670.34 EUR
Contracting Authority	European Commission
European Commission	
Auditor	KPMG Macedonia DOO  Soravia Center Skopje, 7 <sup>th</sup> floor  Vojvoda Vasil Adzilariski Street bb  Skopje 1000, Republic of Macedonia

## Chapter 2 Procedures Performed and Factual Findings

### Procedures Performed and Factual Findings

We have performed the specific procedures listed in Annex 2A of agreement for the expenditure verification of the Grant Contract attached to this report as Annex II ("ToR"). The procedures cover:

- 1) General Procedures
- 2) Procedures to verify conformity of Expenditure with the Budget
- 3) Procedures to verify selected Expenditure

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage as set out in Annex 2B (section 3).

The total expenditure verified by us amounts to MKD 2,100,789 and is summarized in the table below. The overall Expenditure Coverage Ratio is 66 %.

Summary table presenting for the amount reported by the Beneficiary, the amount verified and the percentage of the expenditure covered:

Subheading	Description of subheadings	Direct eligible costs of the Action	Reviewed direct eligible costs by Auditor	Coverage
1.1	Salaries	15,468	13,640	88%
1.2	Salaries	9,324	6,973	75%
2.2	Local transportation	3,949	900	23%
3.5	Other	3,348	1,348	40%
4.1	Vehicle costs	579	431	75%
4.3	Consumables - office supplies	715	102	14%
4.4	Other services	1,833	391	21%
5.1	Publications	2,017	2,017	100%
5.2	Studies, research	1,628	260	16%
5.5	Transaltion, interpreters	1,300	1,080	83%
5.6	Financial services	163	24	15%
5.7	Costs for conferences, seminars	9,852	8,162	83%
5.8	Visibility actions	1,206	1,000	83%
10	Administrative costs	3,544	0	0%
	<b>Total:</b>	<b>54,926</b>	<b>36,329</b>	<b>66%</b>

We have verified the selected expenditure as shown in the above summary table and we have carried out, for each expenditure item selected, the verification procedures specified at point 3.1. to 3.7 of Annex 2A of the ToR for this expenditure verification attached to this report as Annex II.

We report our factual findings resulting from these procedures below:

## **1 General Procedures**

### **1.1 Terms and Condition of the Grant Contract**

With respect to item 1.1 from Annex 2A of the ToR, we obtained an understanding of the terms and conditions of the Grant Contract by reviewing the Grant Contract and its annexes and other relevant information, and by inquiry of the Beneficiary.

### **1.2 Financial Report for the Grant Contract**

With respect to item 1.2 from Annex 2A of the ToR, the Auditor verified the following:

- The Interim Financial Report conform to the model in Annex VI of the Grant Contract;
- The Interim Financial Report covers the Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- The Interim Financial Report is drawn up in the language of the Grant Contract which is English language;
- During the period from 23 December 2008 to 22 December 2009 there are no purchases of equipment, vehicles and supplies, purchase cost of which was more than EUR 5,000 per item.

### **1.3 Rules for Accounting and Record keeping**

With respect to item 1.3 from Annex 2A of the ToR, when performing the procedures listed therein, the Auditor found that the Beneficiary has complied with the following rules for accounting and record keeping of Article 16 of the General Conditions of the Grant Contract:

- The accounts kept by the Beneficiary are accurate and up-to-date;
- The Beneficiary has double-entry bookkeeping system;
- The accounts and expenditures relating to the Action are easily identifiable and verifiable;
- The accounts provide details of interest accrued on funds paid by the Contracting Authority.



#### **1.4 Reconciling the Financial Report to the Beneficiary's Accounting System and Records**

With respect to item 1.4 from Annex 2A of the ToR, the Auditor reconciled the information in the Interim Financial Report to the Beneficiary's accounting system and records related to the Action.

#### **1.5 Exchange Rates**

With respect to item 1.5 from Annex 2A of the ToR, the Auditor verified that the amounts of expenditure incurred in a currency other than the Euro have been converted at the exchange rate which is made up of the average of the rates published in InforEuro for the months covered by the Interim Financial Report.

### **2 Procedures to verify conformity of Expenditure with the Budget and Analytical Review**

#### **2.1 Budget of the Grant Contract**

With respect to item 2.1 from Annex 2A of the ToR, the Auditor verified that the budget in the Interim Financial Report corresponds with the budget of the Grant Contract (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Contract.

#### **2.2 Amendments to the Budget of the Grant Contract**

With respect to item 2.2 from Annex 2A of the ToR, the Beneficiary informed the Auditor that there have not been amendments to the budget of the Grant Contract, nor the Contracting Authority has been informed in writing for any budget amendment. However, for three sub-headings we have noted that the incurred expenditures exceed the related budgeted amounts as presented in the last column "Costs (in EUR)" within the column "Year 1" from Annex III to the Grant Contract. Sub-headings are as follows: sub-heading 1.2 – "Salaries" was exceeded by 20% or equal to EUR 1,524.28, sub-heading 4.3 – "Consumables-office supplies" exceeded by 19% or equal to EUR 115.38 and sub-heading 5.5 – "Translation, interpreters" which was exceeded by 8% or equal to EUR 99.65.

### **3 Procedures to verify selected Expenditure**

#### **3.1 Eligibility of Costs**

With respect to item 3.1 from Annex 2A of the ToR, the Auditor verified the following:

- The expenditure for the selected item was actually incurred i.e. paid by and pertains to the Beneficiary by examining supporting documents (invoices or contracts) and proof for payment (bank statements).
- The expenditure for the selected item was incurred i.e. paid during the implementation period of the Action.
- The expenditure for the selected item was indicated in the Action budget.

- It is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action.
- Expenditure for a selected item is recorded in the Beneficiary's accounting system and was recorded in accordance with the applicable accounting standards of the country where the Beneficiary is established and the Beneficiary's usual cost accounting practices.
- Expenditure for a selected item is substantiated by evidence.
- The monetary value of a selected expenditure item agrees with underlying documents and that correct exchange rates are used where applicable.
- The nature of the expenditure for a selected item has been classified under the correct (sub)heading of the Interim Financial Report.
- There are no expenditures that individually exceed the amount of EUR 5,000 for which procurement, nationality and origin rules would apply.

### **3.2 Eligibility of Direct Costs**

- With respect to item 3.2 from Annex 2A of the ToR, for a selected item recorded under one of the direct costs headings 1 to 6 of the Interim Financial Report, the Auditor verified that this type of expenditure is covered by the direct costs as defined in Article 14.2 by examining the nature of the expenditure items concerned.

### **3.3 Provision for Contingency Reserve**

- With respect to item 3.3 from Annex 2A of the ToR, the Auditor verified that the provision for contingency reserve (heading 8 of the Reports) does not exceed 5% of the direct eligible costs of the Action and that the Beneficiary has obtained prior written authorisation of the Contracting Authority for the use of this contingency reserve.

### **3.4 Administrative costs**

- With respect to item 3.4 from Annex 2A of the ToR, the Auditor verified that the indirect costs to cover the administrative overheads (heading 10 of the Interim Financial Report) do not exceed 7% of the total amount of eligible direct costs of the Action.

### **3.5 Contributions in kind**

- With respect to item 3.5 from Annex 2A of the ToR, the Auditor verified that Interim Financial Report does not include contributions in kind.

### **3.6 Non-eligible costs**

- The Auditor verified that the expenditure for selected items do not concern a non-eligible cost as described in Article 14.6 of the Grant Conditions.



### **3.7 Revenues of the Action**

- The Auditor examined that revenues which should be attributed to the Action (including inter alia grants and funding received from other donors and revenue generated by the Beneficiary in the context of the Action such as for example interest earned) have been allocated to the Action.

# Annex I Financial Report for the Grant Contract

Contract n° EDIR/2008/169-156		Implementation period of the contract (23/12/2008-22/12/2009)		Budget as per contract/nider		Reallocation and use of contingencies		Expenditures incurred							
Expenditures	Unit	# Units (a)	Unit cost (in EUR) (b)	Costs (in EUR) (a)*(b)	Exchange rate for the period (23/12/2008-22/12/2009):		Per currency	Total for the period in EUR		Cumulated costs (before current report) (in EUR)	Cumulated costs (from start of implementation to present report included) (in EUR)				
					Units allowed reallocation	Costs (in EUR)		Units total # for all currencies (d <sub>1</sub> +d <sub>2</sub> )	Total cost of the period (in EUR) (h)= Sum (g <sub>1</sub> +g <sub>2</sub> )						
					(e)	(f)	(g)	(h)	(i)	(j)	(k)				
					(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
<b>Interim financial report: period (23/12/2008-22/12/2009)</b>															
<b>1. Human Resources</b>															
1.1 Salaries (gross amounts, local staff)															
1.1.1 Technical															
Project Manager	Per month	15	600,00	9,000,00			10	36,792,41	367,924,08	5,985,82	10	5,985,82	0	5,985,82	
Executive director (36% of time in 15 months)	Per month	5.4	1,11	6,000,00			10	24,533,68	245,336,79	3,991,43	10	3,991,43	0	3,991,43	
1.1.2 Administrative/ support staff															
Finance officer/accountant	Per month	15	200,00	3,000,00			0		0,00	0,00	0	0,00		0,00	
Administration officer/Office assistant	Per month	15	387,00	5,805,00			9	11,173,83	100,564,50	1,636,10	9	1,636,10	0	1,636,10	
1.2 Salaries (gross amounts, expat/int. staff)															
A volunteer for IT update	Per day	15	100,00	1,500,00			10	23,691,95	236,919,48	3,854,49	10	3,854,49	0	3,854,49	
Mentor 1	Per day	3x15	100,00	4,500,00					0,00	0,00	0	0,00		0,00	
Trainers 2	Per day	32	150,00	4,800,00			10	6,610,34	66,103,36	1,075,45	10	1,075,45	0	1,075,45	
1.3 Per diems for missions/travel															
Participation at the pre session CRC committee in Geneva 2	Per diem	3x2	150,00	900,00			36	6,131,42	220,730,96	3,591,11	36	3,591,11	0	3,591,11	
Children participants	Per diem	3x2	50,00	300,00			30	9,543,03	286,290,77	4,657,72	30	4,657,72	0	4,657,72	
1.3.1 Abroad (staff assigned to the Action)	Per diem								0,00	0,00		0,00		0,00	
1.3.2 Local (staff assigned to the Action)	Per diem								0,00	0,00		0,00		0,00	
1.3.3 Seminar/conference participants	Per diem								0,00	0,00		0,00		0,00	
<b>Subtotal Human Resources</b>				<b>35,805,00</b>					<b>1,523,869,94</b>	<b>24,792,12</b>		<b>24,792,12</b>	<b>0</b>	<b>24,792,12</b>	





Lunch for two days workshops for 22 NGO participants	2x22		8.00	352.00		44	535.06	23,542.50	383.02	44	383.02	0	383.02
Lunch for two days workshops for 35 children participants	2x35		8.00	560.00		70	312.61	21,882.75	356.01	70	356.01	0	356.01
Lunch for conference for 100 children		100	8.00	800.00		0		0.00	0.00	0	0.00	0	0.00
5.8 Visibility actions				0.00		0		0.00	0.00		0.00		0.00
Labels		200	0.50	100.00		0		0.00	0.00	0	0.00	0	0.00
Badges		2000	0.50	1,000.00		2000	30.74	61,470.00	1,000.07	2000	1,000.07	0	1,000.07
T-shirts		150	6.00	900.00		0		0.00	0.00	0	0.00	0	0.00
Leaflets		1000	0.40	400.00		0		0.00	0.00	0	0.00	0	0.00
Business cards				50.00		1	1,400.00	1,400.00	22.78	1	22.78	0	22.78
Internet and web site hosting		15	50.00	750.00		4	2,821.25	11,285.00	183.60	4	183.60	0	183.60
<b>Subtotal Other costs, services</b>				<b>24,009.00</b>		<b>0</b>		<b>993,681.49</b>	<b>16,166.38</b>	<b>0</b>	<b>16,166.38</b>	<b>0</b>	<b>16,166.38</b>
<b>Expenditures</b>			<b>Unit cost (in EUR)</b>	<b>Costs (in EUR)</b>									
<b>6. Other</b>				0.00				0.00				0	0.00
<b>Subtotal Other</b>				<b>0.00</b>				<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>7. Subtotal direct eligible costs of the Action (1-6)</b>				<b>77,794.00</b>				<b>3,158,229.83</b>	<b>51,381.81</b>		<b>51,381.81</b>	<b>0</b>	<b>51,381.81</b>
<b>8. Provision for contingency reserve (maximum 5% of 7. subtotal direct eligible costs of the Action)</b>			5%	3,890.00		0		0.00		0		0	0.00
<b>9. Total direct eligible costs of the Action (7+8)</b>				<b>81,684.00</b>				<b>3,158,229.83</b>	<b>51,381.81</b>		<b>51,381.81</b>	<b>0</b>	<b>51,381.81</b>
<b>10. Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)</b>			7%	5,718.00			6,746.07	217,848.22	3,544.21		3,544.21	0	3,544.21
<b>11. Total eligible costs (9+10)</b>				<b>87,402.00</b>				<b>3,376,078.05</b>	<b>54,926.03</b>		<b>54,926.03</b>	<b>0</b>	<b>54,926.03</b>



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Mr. Dragi Zmijanac  
*Executive Director*  
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financed grant contract for external actions of the  
European Community, EIDHR/2008/169-156  
Kosta Novakovic street 22  
1000 Skopje  
Macedonia

5 January 2010

**Agreement for an Expenditure Verification of a Grant  
Contract for External Actions of the European Community**

The following are the terms on which the First Children's Embassy in the World Megjashi – Republic of Macedonia Association ('the Beneficiary') agrees to engage KPMG ('the Auditor') to perform an expenditure verification and to report in connection with a European Community financed grant contract for external actions concerning "Building a Culture of Child Participation (EIDHR 2008/169-156)" (the 'Grant Contract'). Where in these terms the 'Contracting Authority' is mentioned this refers to European Commission which has signed the Grant Contract with the Beneficiary and is providing the grant funding. The Contracting Authority is not a party to this agreement.

**1.1 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 Contract with the Contracting Authority.

- The Beneficiary is responsible for providing Interim Financial Report for the period from 23 December 2008 through 22 December 2009 and Final Financial Report for the period from 23 December 2009 through 22 March 2010 ("Reports") for the action financed by the Grant Contract and for ensuring that these Reports 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 Reports.
- 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 his partners, providing full and free access to the Beneficiary's staff and its accounting and bookkeeping system and underlying accounts and records.





'The Auditor' is responsible for performing the agreed-upon procedures as specified in these terms, and for submitting a report of factual findings to the Beneficiary. 'Auditor' refers to the audit firm contracted for this engagement and in particular to the partner or other person in the audit firm who is responsible for the engagement and for the report that is issued on behalf of the firm, and who has the appropriate authority from a professional, legal or regulatory body.

The Auditor is a member of the Institute of Authorised Accountants of the Republic of Macedonia. Although this organisation is not member of the IFAC, the Auditor commits himself to undertake this engagement in accordance with the applicable IFAC standards and ethics set out in these terms.

#### **1.2 Subject of the Engagement**

The subject of this engagement is the Interim Financial Report in connection with the Grant Contract for the period covering 23 December 2008 through 22 December 2009, and the Final Financial Report in connection with the Grant Contract for the period covering 23 December 2009 through 22 March 2010 ("Reports"). Annex 1 to these terms contains information about the Grant Contract.

#### **1.3 Reason for the Engagement**

The Beneficiary is required to submit to the Contracting Authority a Report of factual findings produced by an external auditor in support of the payment requested by the Beneficiary under article 15 of the General Conditions of the Grant Contract. The Authorising Officer of the Commission requires this report as he makes the payment of the expenditure requested by the Beneficiary conditional on the factual findings of this report.

#### **1.4 Engagement Type and Objective**

This expenditure verification is an engagement to perform certain agreed-upon procedures with regard to the Reports for the Grant Contract. The objective of this expenditure verification is for the Auditor to carry out the specific procedures listed in Annex 2A to these terms 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 Reports of the Beneficiary and compares it with the terms and conditions of the Grant Contract. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and express no assurance. The Contracting Authority assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings.



### **1.5 Standards and Ethics**

The Auditor shall undertake this engagement in accordance with:

- the International Standards 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 Contracting Authority requires that the Auditor is independent from the Beneficiary and complies with the independence requirements of the Code of Ethics for Professional Accountants.

### **1.6 Procedures, Evidence and Documentation**

The Auditor plans the work so that an effective expenditure verification can be performed. The Auditor performs the procedures listed in Annex 2A of these terms ("Listing of specific procedures to be performed") and applies the guidelines in Annex 2B ("Guidelines for specific procedures to be performed"). The evidence to be used for performing the procedures in Annex 2A is all financial and non-financial information which makes it possible to examine the expenditure claimed by the Beneficiary in the Reports. 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 these terms.

### **1.7 Reporting**

The Report on factual findings on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail in order to enable the Beneficiary and the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor.

The use of the Model Report for an Expenditure Verification of an EC Grant Contract in Annex 3 of these ToR is compulsory. This report should be provided by the Auditor to the First Children's Embassy in the World Megjashi within 10 working days after the day of signature of these terms.

### **1.8 Other Terms**

#### **Fees**

The total budgeted amount for the expenditure verification is EUR 2,000.

This amount is covering Auditor's activities for the duration of the project: 23 December 2008 through 22 March 2010.



The Auditor will receive the fee in two installments (EUR 1,000 each plus VAT according to the applicable Macedonian laws).

The first payment will be made upon submission of an invoice accompanied by a report of factual findings for expenditure verification, regarding the Interim Financial Report covering the first twelve months of the project activities.

The second installment will be made upon submission of an invoice accompanied by a report of factual findings for a expenditure verification, regarding the Final Financial Report covering the whole duration of the project activities.

The reports of factual findings are intended solely for the use of the Beneficiary and the Contracting Authority and are not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. If the Beneficiary requests that additional specified users of the reports be added, the Auditor will require that they acknowledge, in writing, their agreement with the procedures and their responsibility for the sufficiency of the procedures for their purposes.

Proforma-invoices are to be issued in EUR payable in Macedonian Denars using the National Bank of Macedonia selling exchange rate on the date of payment. Payment is due upon the issue of the invoice.

#### **Language of the reports**

The reports of our findings will be issued in English.

#### **Timing**

The Auditor's work on the agreed-upon procedure will commence upon signing of this letter. The Auditor will issue the reports of factual findings upon completion of the agreed upon procedures. The draft reports will be issued no later than two weeks from the commencement of the work.

Timing and submitting of the report within the terms agreed is dependent on the Beneficiary's preparation to provide all information necessary for conducting the work in due course. This information shall include records, documentation and other information requested by in connection with the Auditor's engagement.

#### **Persons responsible for the work**

On behalf of the KPMG:  
Ms. Gordana Nikushevsk

Engagement Partner

Other team members will be drawn from KPMG office in Skopje.

On behalf of the Beneficiary:  
Mr. Dragi Zmijanac

Executive Director



**Limitation of liability**

In connection with the engagement, the Beneficiary agrees that the liability to the Beneficiary of this firm, its partners, directors, employees, and agents (in contract or [tort or delict] under statute or otherwise) for any loss or damage suffered by the Beneficiary arising out of or in connection with this engagement, however the loss or damage is caused, including the Auditor's negligence but not the Auditor's wilful default, shall be limited to the amount stated in article 1.8 of this agreement.

**Termination Clause**

Each of the Beneficiary or KPMG can terminate the agreement or suspend its operation by giving 30 days prior notice in writing to the other at any time. Termination or suspension under this clause shall be without prejudice to any rights that my have accrued for either the client or KPMG before termination or suspension and all sums due to KPMG shall become payment in full when termination or suspension takes effect.

**Statement of Entire Agreement**

This agreement forms the entire agreement and understanding between the Auditor and the Consultant with respect to the subject matter hereof. Any variations to the terms of this agreement shall be made in writing and will not be effective unless signed by a partner of KPMG and by a duly authorized representative of the Beneficiary.

**Use of e-mail**

The Auditor may communicate with the Beneficiary by electronic mail, on the basis that in consenting to this method of communication the Beneficiary accepts the inherent risk (including the security risks of the interception of or unauthorized access to such communication, the risks of corruption of such communication and the risks of viruses or other harmful devices) and that the Beneficiary shall perform virus checks.

**Applicable law**

The provisions of the Macedonian Civil legislature will be applied for all issues, which are not regulated by the present agreement. Any disputes arising in connection with the present agreement will be solved by mutual agreement and if this is not possible under the procedure provided in the Civil Procedure Code.

On behalf of the KPMG  
Consultant

Ms. Georgi Chuchuk

5 January 2010

  


On behalf of the

Mr. Dragan Zmit

5 January 2010

  


## Annex 1

<b>Information about the Grant Contract</b>	
Reference number and date of the Grant Contract	EIDHR/2008/169-156 22.12.2008
Grant contract title	Building a Culture of Child Participation
Country	Republic of Macedonia
Beneficiary	First Children's Embassy in the World Megjashi – Republic of Macedonia Association  Kosta Novakovic 22 1000 Skopje Republic of Macedonia
Budget line Grant Contract	European Commission
Legal basis for the Grant Contract	
Start date of the Action	23 December 2008
End date of the Action	23 March 2010
Total cost of the Action	87,402.00 EUR
Grant maximum amount	69,921 EUR
Total amount received to date by the Beneficiary from Contracting Authority	46,258.56 EUR
Total amount of the payment request	16,670.34 EUR
Contracting Authority	European Commission
European Commission	
Auditor	KPMG Macedonia DOO Soravia Center Skopje, 7 <sup>th</sup> floor Vojvoda Vasil Adzilarski Street bb Skopje 1000, Republic of Macedonia

## Annex 2A – Listing of specific procedures to be performed

### **1 General Procedures**

#### **1.1 Terms and Condition of the Grant Contract**

The Auditor obtains an understanding of the terms and conditions of the Grant Contract by reviewing the Grant Contract and its annexes and other relevant information, and by inquiry of the Beneficiary. The Auditor obtains a copy of the original Grant Contract (signed by the Beneficiary and the Contracting Authority) with its annexes. The Auditor obtains and reads the Reports (which include a narrative and a financial section) as per Article 2.1 of the General Conditions.

#### **1.2 Financial Report for the Grant Contract**

The Auditor verifies that the Reports complies with the following conditions of Article 2 of the General Conditions of the Grant Contract:

- The Reports must conform to the model in Annex VI of the Grant Contract;
- The Reports should cover the Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- The Reports should be drawn up in the language of the Grant Contract;
- The proof of the transfers of ownership of equipment, vehicles and supplies, purchase cost of which was more than EUR 5,000 per item (Article 7.3 of the General Conditions of the Grant Contract) should be annexed to the Final Financial Report.

#### **1.3 Rules for Accounting and Record keeping**

The Auditor examines – when performing the procedures listed in this Annex – whether the Beneficiary has complied with the following rules for accounting and record keeping of Article 16 of the General Conditions of the Grant Contract:

- The accounts kept by the Beneficiary for the implementation of the Action must be accurate and up-to-date;
- The Beneficiary must have a double-entry bookkeeping system;
- The accounts and expenditures relating to the Action must be easily identifiable and verifiable;
- The accounts must provide details of interest accrued on funds paid by the Contracting Authority.

#### **1.4 Reconciling the Financial Report to the Beneficiary's Accounting System and Records**

The Auditor reconciles the information in the Reports to the Beneficiary's accounting system and records (e.g. trial balance, general ledger accounts, sub ledgers etc.) (see Article 16.1).

#### **1.5 Exchange Rates**

The Auditor verifies the amounts of expenditure incurred in a currency other than the Euro have been converted at the exchange rate which is made up of the average of the rates published in InforEuro for the months covered by the Reports, unless otherwise provided in the Special Conditions of the Grant Contract (Article 15.9 of the General Conditions).

### **2 Procedures to verify conformity of Expenditure with the Budget and Analytical Review**

#### **2.1 Budget of the Grant Contract**

The Auditor verifies that the budget in the Reports corresponds with the budget of the Grant Contract (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Contract.

## Annex 2A – Listing of specific procedures to be performed

### 2.2 Amendments to the Budget of the Grant Contract

The Auditor inquires with the Beneficiary whether there have been amendments to the budget of the Grant Contract. Where this is the case the Auditor inspects that the Beneficiary has:

- requested an amendment to budget and obtained an addendum to the Grant Contract if such an addendum was required (Article 9.1 of the General Conditions),
- informed the Contracting Authority about the amendment in case the amendment was limited (Article 9.2 of the General Conditions) and an addendum to the Grant Contract was not required.

### 3 Procedures to verify selected Expenditure

#### 3.1 Eligibility of Costs

The Auditor verifies, for each expenditure item selected, the eligibility criteria set out below,

(1) *Costs actually incurred (Article 14.1)*

The Auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the Beneficiary. For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and proof for payment. The Auditor also examines proof of work done, goods received or services rendered and he/she verifies the existence of asset if applicable.

(2) *Cut-off – Implementation period (Article 14.1 a)*

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the Action.

(3) *Budget (Article 14.1 b)*

The Auditor verifies that the expenditure for a selected item was indicated in the Action budget.

(4) *Necessary (Article 14.1 c)*

The Auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure with supporting documents.

(5) *Records (Article 14.1 d)*

The Auditor verifies that expenditure for a selected item is recorded in the Beneficiary's accounting system and was recorded in accordance with the applicable accounting standards of the country where the Beneficiary is established and the Beneficiary's usual cost accounting practices.

(6) *Justified (Article 14.1 e)*

The Auditor verifies that expenditure for a selected item is substantiated by evidence (see section 1 of Annex 2B, Guidelines for Specific Procedures to be performed) and notably the supporting documents as specified in Article 16.2 and 16.3 of the General Conditions of the Grant Contract.

(7) *Valuation*

The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.

(8) *Classification*

The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub)heading of the Reports.

## Annex 2A – Listing of specific procedures to be performed

### (9) *Compliance with Procurement, Nationality and Origin Rules*

For the sample of expenditures that individually exceed the amount of EUR 5,000 the Auditor examines which procurement, nationality and origin rules apply for a certain expenditure (sub)heading, a class of expenditure items or an expenditure item. The Auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process. Where the Auditor finds issues of non-compliance with procurement rules, he/she reports the nature of such events as well as their financial impact in terms of ineligible expenditure. When examining procurement documentation the Auditor takes into account the risk indicators listed in Annex 2B and he/she reports, if applicable, which of these indicators were found.

#### **3.2 Eligibility of Direct Costs**

If the expenditure for a selected item is recorded under one of the direct costs headings 1 to 6 of the Reports, the Auditor verifies that this type of expenditure is covered by the direct costs as defined in Article 14.2 by examining the nature of the expenditure items concerned.

#### **3.3 Provision for Contingency Reserve**

The Auditor verifies that the provision for contingency reserve (heading 8 of the Reports) does not exceed 5% of the direct eligible costs of the Action and that the Beneficiary has obtained prior written authorisation of the Contracting Authority for the use of this contingency reserve.

#### **3.4 Administrative costs**

The Auditor verifies that the indirect costs to cover the administrative overheads (heading 10 of the Reports) do not exceed 7% of the total amount of eligible direct costs of the Action.

#### **3.5 Contributions in kind**

The Auditor verifies that costs in the Reports do not include contributions in kind. Contributions in kind are not eligible costs.

#### **3.6 Non-eligible costs**

The Auditors verifies that the expenditure for a selected item does not concern a non-eligible cost as described in Article 14.6 of the Grant Conditions. The Auditor verifies whether expenditure includes certain taxes, including VAT. If this is the case the Auditor verifies whether the Beneficiary (or, where applicable the partners) cannot reclaim these taxes and whether the applicable regulations, rules and practices in the country concerned allow the coverage of these taxes in the expenditure.

#### **3.7 Revenues of the Action**

The Auditor examines whether revenues which should be attributed to the Action (including inter alia grants and funding received from other donors and revenue generated by the Beneficiary in the context of the Action such as for example interest earned) have been allocated to the Action. For this purpose the Auditor inquires with the Beneficiary and examines documentation obtained from the Beneficiary. The Auditor is not expected to examine the completeness of the revenues reported.



## Annex 2B – Guidelines for Specific Procedures to be performed

### **1 Verification Evidence**

When performing the specific procedures listed in Annex 2A the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations.

The Auditor obtains verification evidence from these procedures to draw up his report of factual findings. Verification evidence is all information used by the Auditor in arriving at the factual findings and it includes the information contained in the accounting records underlying the Reports and other information (financial and non-financial).

The contractual requirements that relate to verification evidence are:

- Expenditure should be identifiable, verifiable and recorded in the accounting records of the Beneficiary of the General Conditions of the Grant Contracts;
- Expenditure must be easily identifiable and verifiable and traced to and within the Beneficiary's accounting and bookkeeping systems;
- Beneficiary will allow any external 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 gives access to all documents and data bases concerning the technical and financial management of the Action;
- Article 16.3 of the General Conditions of the Grant Contract provides a list of the types and nature of evidence that the Auditor will often find in expenditure verifications.

Moreover, for the purpose of the procedures listed in Annex 2A, evidence:

- Must be available in documentary form, whether paper, electronic or other medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed);
- Must be available in the form of the original documents rather than photocopies of facsimiles;
- Should preferably be obtained from independent sources outside the entity (an original suppliers invoice or contract is more reliable than an internally approved receipt note);
- Which is generated internally is more reliable if it has been subject to control and approval;
- Obtained directly by the Auditor (e.g. inspection of assets) is more reliable than evidence obtained indirectly (e.g. inquiry about the asset).

### **2 Obtaining an understanding of the terms and conditions of the Grant Contract (Annex 2A – procedure 1.1)**

The Auditor obtains an understanding of the terms and conditions of the Grant Contract and he/she should pay particular attention to Annex I of the Grant Contract, which contains the Description of the Action, Annex II (General Conditions) and Annex IV, which provides rules for procurement (including nationality and origin rules) by grant beneficiaries in the context of EC external actions. Failure to comply with these rules makes expenditure ineligible for Community financing. These procurement rules apply to all grant contracts but depending on the legal basis for the Grant Contracts (e.g. TACIS, ALA, Food Aid and Development Co-operation Instrument) nationality and origin rules may vary. The Auditor ensures with the Beneficiary that the applicable nationality and origin rules are identified and understood. Applicable rules of nationality and origin are set out, for each legal basis, in Annex A2 to the Practical Guide to contract procedures for external actions of the European Communities.

## Annex 2B – Guidelines for Specific Procedures to be performed

If the Auditor finds that the terms and conditions to be verified are not sufficiently clear he should request clarification from the Beneficiary.

### 3 **Selecting Expenditure for Verification (Annex 2A – procedures 3.1 – 3.7)**

The expenditure claimed by the Beneficiary in the financial Report is presented under the following expenditure headings: *1 Human Resources, 2 Travel, 3 Equipment and Supplies, 4 Local office, 5 Other costs, services, 6 Other, 8 Provision for contingency reserve and 10 Administrative costs.* Expenditure headings 1 to 6 represent direct costs of the Action. Expenditure headings can be broken down into expenditure subheadings such as for example 1.1 Salaries.

Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics. The form and nature of the supporting evidence (e.g. a payment, a contract, an invoice etc) and the way expenditure is recorded (i.e. journal entries) vary with the type and nature of the expenditure and the underlying actions or transactions. However, in all cases expenditure items should reflect the accounting (or financial) value of underlying actions or transactions no matter the type and the nature of the action or transaction concerned.

Value should be the principal factor used by the Auditor to select expenditure items or classes of expenditure items for verification. The Auditor selects high value expenditure items to ensure an appropriate coverage of expenditure.

### 4 **Verification Coverage of Expenditure (Annex 2A – procedures 3.1 – 3.7)**

The Auditor applies the principles and criteria set out below when planning and performing the specific verification procedures for selected expenditure in Annex 2A (procedures 3.1 – 3.7).

Verification by the Auditor and verification coverage of expenditure items does not necessarily mean a complete and exhaustive verification of all the expenditure items that are not included in a specific expenditure heading or subheading. The auditor should ensure a systematic and representative verification. Depending on certain conditions (see further below) the Auditor may obtain sufficient verification results for an expenditure heading or subheading by looking at a limited number of selected expenditure items.

The Auditor may apply statistical sampling techniques for the verification of one or more expenditure headings or subheadings of the Reports. The Auditor examines whether 'populations' (i.e. expenditure subheadings or classes of expenditure items within expenditure subheadings) are suitable and sufficiently large (i.e. are made up of large numbers of items) for effective statistical sampling.

If applicable the Auditor should explain in the report of factual findings for which headings or subheadings of the Reports sampling has been applied, the method used, the result obtained and whether the sample is representative.

The Expenditure Coverage Ratio ('ECR') represents the total amount of expenditure verified by the Auditor expressed as a percentage of the total amount of expenditure reported by the Beneficiary in the Reports and claimed by the beneficiary for deduction from the total sum of pre-financing under the Great Contract. This amount is reported in Annex V of the Grant Contract.

The Auditor ensures that the overall ECR is at least 65%. If he finds an exception rate of less than 10% of the total amount of expenditure verified (i.e. 65%) the Auditor finalises the verification procedures and continues with reporting.

## Annex 2B – Guidelines for Specific Procedures to be performed

If the exception rate found is higher than 100% the Auditor extends verifications procedures until the ECR is at least 85%. The Auditor then finalises verification procedures and continues with reporting regardless of the total exception rate found. The Auditor ensures that the ECR for each expenditure heading and subheading in the Reports is at least 10%.

### **5 Procedures to verify selected Expenditure (Annex 2A – procedures 3.1 – 3.7)**

The Auditor verifies the selected expenditure items by carrying out procedures 3.1 – 3.7 listed in Annex 2A and reports all the factual findings and exceptions resulting from these procedures. Verification exceptions are all verification deviations found when performing the procedures set out in Annex 2A.

The Auditor quantifies the amount of the verification exception found and the potential impact on the EC contribution, should the Commission declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of funding of the Commission and the impact on indirect expenditure (e.g. administrative costs)). The Auditor reports all exceptions found including the ones of which he cannot quantify the amount of the verification exception found and the potential impact on the EC contribution.

For example: if the Auditor finds an exception of 1.000 € with regard to procurement rules for a grant contract where the EC finances 60% of the expenditure and where administrative cost of 7% of total direct eligible expenses are foreseen, the Auditor reports an exception of 1.000€ and a financial impact of 642€ ( $1.000€ \times 60\% \times 1.07$ ).

#### *Specific guidance for procedure 3.1.9 Compliance with Procurement, Nationality and Origin Rules*

The Auditor should verify whether the expenditure for a selected item was incurred in accordance with the applicable procurement, nationality and origin rules by examining the underlying documents of the procurement and purchase process. Such documents relate to the opening of tenders, the assessment of the eligibility of tenders and conformity of tenders, the evaluation of the offers and the decisions with regard to the awarding of the contract. When examining these procurement documents the Auditor takes into account the risk indicators listed at the end of this Annex and he reports, if applicable, which of these indicators were identified.

#### *Specific guidance for procedure 3.5 Contributions in kind*

The Auditor should verify that the expenditure in the Reports does not include any contribution in kind. If contributions in kind are foreseen they must be indicated and valued in the Action budget. If this is not the case contributions in kind are not eligible. *Examples:* salaries of staff detached by a Ministry which is not part of the action or equipment and material received from organisations which do not participate in the Action.

Annex 3 Model Report for an Expenditure Verification of an EC Grant Contract

*HOW TO USE THIS MODEL REPORT? All text highlighted in yellow in this model report is for instruction only and auditors should remove it after use. Information requested in the following form <.....> (e.g. <name of the beneficiary> must be completed by the auditor.*

*<To be printed on AUDITOR'S letterhead>*

**Report for an Expenditure Verification of a Grant Contract  
External Actions of the European Community**

**<Title of and number of the grant contract >**

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**Report of Factual Findings**

<Name of contact person(s)>, < Position>  
< Beneficiary's name>  
<Address>

<dd Month yyyy>

Dear <Name of contact person(s)>

In accordance with the terms of reference dated <dd Month yyyy> that you agreed with us, we provide our Report of Factual Findings ("the Report"), with respect to the accompanying Financial Report for the period covering <dd Month yyyy - dd Month yyyy> (Annex I of this Report). You requested certain procedures to be carried out in connection with your Financial Report and the European Community financed Grant Contract concerning <title and number of the contract>, the 'Grant Contract'.

**Objective**

Our engagement was an expenditure verification which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Grant Contract between you and <the European Commission or the name of another contracting authority> the 'Contracting Authority'. The objective of this expenditure verification is for us to carry out certain procedures to which we have agreed and to submit to you a report of factual findings with regard to the procedures performed.

## Standards and Ethics

Our engagement was undertaken in accordance with:

- 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 Contracting Authority 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 2A of the terms of reference for this engagement (see Annex 2 of this Report).

These procedures have been determined solely by the Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditure claimed by you in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Grant Contract.

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 accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the financial statements 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 you in response to specific questions or as obtained and extracted from your accounts and records

## Factual Findings

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

The Expenditure Coverage Ratio is <xx%>. This ratio represents the total amount of expenditure verified by us expressed as a percentage of the total expenditure which has been subject of this expenditure verification. The latter amount is equal to the total amount of expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing under the Grant Contract as per your Request for Payment of <dd Month yyyy>.

We report the details of our factual findings which result from the procedures that we performed in Chapter 2 of this Report.

## Use of this Report

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

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the Grant Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Contracting Authority is not a party to the agreement (the terms of reference) between you and us and therefore we do not owe or assume a duty of care to the Contracting Authority who may rely upon this expenditure verification report at its own risk and discretion. The Contracting Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.

The Contracting Authority may only disclose this Report to others who have regulatory rights of access to it in particular the European Commission [*Delete if the Commission is the Contracting Authority*], the European Anti Fraud Office and the European Court of Auditors.

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

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

Yours sincerely

<dd Month yyyy>,

<Name of the Auditor>