**ANNEX 2**

**Report for Expenditure Verification**

**and Factual Findings**

**Karelia CBC Programme 2014-2020**

|  |  |
| --- | --- |
| Name of the Project and identification number: |  |
| Subject of the engagement: |[ ]  Interim Financial Report |
|  |[ ]  Final Financial Report |
|  |[ ]  Consolidated Financial Report |
| Reporting period covered by the engagement (start date and end date of the reporting period): | <dd Month yyy – dd Month yyy)> |
| Full name and address of the Partner: |  |
| Full name and position of the Partner’s contact person (legal representative): |  |
| Role of the Partner in the Project: |[ ]  Lead Partner |
|  |[ ]  Reporting Partner |
| In case the Partner’s Financial Report includes Invoicing Partner’s costs, full name and address of the Invoicing Partner: |  |

|  |  |
| --- | --- |
| Full name of the audit firm: |  |
| Full name of the person responsible for the engagement and for the report of factual findings: |  |
| E-mail of the Auditor: |  |

Dear <name of the Partner’s contact person>

This ‘Report for Expenditure Verification and Factual Findings’ is for <***the interim or final report and consolidated financial report***> for the period covering <***dd Month yyyy - dd Month yyyy****>.* The Lead Partner of this Project is <***NAME***> (later ‘Lead Partner’). We have performed the expenditure and revenue verification on the expenditure reported by the following project partner (later ‘Partner’) in its Financial Report <***name of the Partner***>

 **Objective**

Our engagement was an expenditure and revenue verification procedure with regard to the Financial Report for the Grant Contract between you and the Managing Authority of the Karelia CBC Programme. We have performed the agreed-upon procedures as specified in the Terms of Reference signed and dated by the Partner organization and the Audit firm on <dd Month yyyy>.

**Procedures performed**

As requested, we have only performed the verification procedures listed in the Annexes ‘Annex 1 Guidelines for the Expenditure Verification’ and ‘Annex 3 Checklist for the Expenditure Verification’ of the Terms of Reference for this engagement in assessing whether the expenditure claimed by you in the Financial Report is eligible in accordance with the terms and conditions of the Grant Contract and eligibility rules of the Programme.

These procedures have been determined solely by the Managing Authority, and the procedures were performed solely to assist the Managing 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 Standard 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 Partner in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

**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 Managing Authority in connection with the requirements as set out in ‘Article 16 Payment’ of the **‘**Annex IIConditions applicable to Grant Contracts financed by the Karelia CBC Programme’ 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 Managing 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 Managing Authority who may rely upon this Report at its own risk and discretion. The Managing 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 Managing Authority may only disclose this Report including annexes and working papers in order to verify the quality of the expenditure verification work carried out, to others who have regulatory rights of access to it, in particular the European Commission, the European Anti-Fraud Office, the European Court of Auditors, the Audit Authority/Group of Auditors, Control Contact Point of the country of the Partner, representatives of national authorities involved in the implementation and financing of the Programme and any representatives or external auditor authorised by the Managing Authority or one of the above-mentioned institutions and bodies.

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

**Factual findings**

The total amount of expenditure, revenue and own contribution reported by the Partner in the Financial Report which is subject of this expenditure verification amounts to <**xxx**> € (expenditure), <**xxx**> € (revenue), <**xxx**> € (interest) and to <**xxx**> € (own contribution paid by the external donors).

The Financial Report includes a total amount of <**xxx**> € of the Invoicing Partner’s salary costs (<**xxx**> € ) and travel costs (<**xxx**> €).

The total amount of expenditure verified by us from the total amount of reported expenditure amounts to <**xxx**> €. 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 total amount of revenue actually incurred during the reporting period and verified by us amount to <**xxx**> €, total amount of interest to <**xxx**> € and the total amount of own contribution paid by the external donors to <**xxx**> €.

We report the details of our factual findings which result from the procedures that we performed in the next pages.

**Exceptions**

The comprehensive list of all exceptions found is described under each headline in the next pages.

We have also described the recommendations and the follow-up measures to be taken by the Partner under each headline in the next pages. The recommendations and the follow-up measures are based on the results of our findings, and will be monitored by us when performing the expenditure verification to the Partner’s expenditure declared in its next Financial Report(s). The purpose of these recommendations and follow-up measures is to assist the Partner to make necessary corrections in its financial systems, methods and reporting regarding the project expenditure and revenue in order to comply with the Programme requirements.

We have also described the difficulties encountered during the expenditure verification work under each headline in the next pages.

The ineligible expenditure and the grounds for the ineligibility are described in ‘Annex 4 List of Ineligible Expenditure’ which is attached to this Report.

The detailed list of the Partner’s expenditure, revenue and own contribution verified by us in the Partner’s Financial Report is attached to this Report (Annex 1 Partner’s Financial Report on which the Auditor has indicated or ticked the invoices verified by the Auditor).

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,

***<Place, dd Month yyyy*>,**

**Signature**

**<N*ame of the Auditor*>**

**Annexes:**

* Detailed list of Partner’s expenditure, revenue and own contribution verified by the Auditor (Partner’s Financial Report indicating the invoices verified by the Auditor)
* ‘Annex 3 Checklist for the Expenditure Verification’
* **‘**Annex 4 List of Ineligible Expenditure’

**1. Basic information about the Project**

|  |  |
| --- | --- |
| Grant Contract period (start date-end date):1. Partner: Partnership Agreement period (start date-end date):
2. Invoicing Partner: Partnership Agreement period (start date-end date):
 |  |
| Total budget of the Grant Contract:1. Partner: Total budget of the Partnership Agreement:
2. Invoicing Partner: Total budget of the Partnership Agreement:
 |  |
| Grant Contract: total amount of programme funding:1. Partner: Partnership Agreement: total amount of programme funding:
2. Invoicing Partner: Partnership Agreement: total amount of programme funding:
 |  |

**2. Expenditure, revenue and own contribution**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Partner’s Financial Report** | **Budget €** | **Reported €** | **Verified €** | **ECR %** | **Ineligible costs €** |
| **1. Staff, (1.1 + 1.2)** |  |  |  |  |  |
| * 1. **Partner**
 |  |  |  |  |  |
| * 1. **Invoicing Partner**
 |  |  |  |  |  |
| **2. Travel, (2.1 + 2.2)** |   |   |   |   |  |
| * 1. **Partner**
 |  |  |  |  |  |
| * 1. **Invoicing Partner**
 |  |  |  |  |  |
| **3. Equipment and supplies** |   |   |   |   |  |
| **4. Small-scale investment** |  |  |  |  |  |
| **5. External expertise and services** |   |   |   |   |  |
| **6. Total eligible costs of headings (1-5), (6.1 + 6.2)** |   |   |   |   |  |
| * 1. **Partner**
 |  |  |  |  |  |
| * 1. **Invoicing Partner**
 |  |  |  |  |  |
| 7. Investments  |  |  |  |  |  |
| **8. Total costs (6+7), (8.1 + 8.2)** |  |  |  |  |  |
| **8.1 Partner** |  |  |  |  |  |
| * 1. **Invoicing Partner**
 |  |  |  |  |  |
| **9. Revenues of the Project, (9.1 + 9.2)** |  |  |  |  |  |
| **9.1 Partner** |  |  |  |  |  |
| **9.2 Invoicing Partner** |  |  |  |  |  |
| **10. Total eligible net costs (8-9), (10.1 + 10.2)** |  |  |  |  |  |
| **10.1 Partner** |  |  |  |  |  |
| **10.2 Invoicing Partner** |  |  |  |  |  |
| **11. Total amount of own contributions paid by the external donors (11.1 + 11.2)**  |  |  |  |  |  |
| **11.1 Partner** |  |  |  |  |  |
| **11.2 Invoicing Partner** |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Consolidated Financial Report** | **Budget €** | **Reported €** | **Verified €** | **ECR %** |
| **1. Staff, total** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **2. Travel, total** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **3. Equipment and supplies, total** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **4. Small-scale investment, total** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **5. External expertise and services, total**  |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **6. Total eligible costs of headings (1-5), total** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| 7. Administrative costs (maximum 7% of 6. Total eligible costs of headings (1-5) |  |  |  |  |
| **8. Investments** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **9. Total eligible costs excluding administrative costs (6+8), total** |   |   |   |   |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **10. Total eligible costs including administrative costs (7+9)** |  |  |  |  |
| **11. Revenues of the Project (to be deducted), total** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **12. Total eligible net costs excluding administrative costs (9-11), total** |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |
| **13. Total eligible costs including administrative costs (7+12)** |  |  |  |  |
| **14. Total amount of own contributions paid by the external donors**  |  |  |  |  |
| **Lead Partner** |  |  |  |  |
| **Partner 1**: <name of the partner> |  |  |  |  |
| **Partner 2**: <name of the partner> |  |  |  |  |
| **Add new rows for more partners** |  |  |  |  |

We have verified the selected expenditure, revenue and own contribution as shown in the above summary table(s) and we have carried out, for each expenditure item selected, the verification procedures and the incurrence, accuracy and eligibility criteria specified in the Terms of Reference and in its annexes to which we have agreed.

We report our factual findings resulting from these procedures below:

# 3. General procedures and analytical review to the budget and accounting records

**3.1 Budget-to-actual and amendments to budget and Grant Contract**

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| --- |
| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

|  |
| --- |
| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.** |

|  |
| --- |
| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

## 3.2 Financial Report

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| --- |
| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

|  |
| --- |
| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

## 3.3 Consolidated Financial Report

**NOTE! The following verifications under this headline are performed by the Lead Partner’s Auditor**

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| --- |
| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

|  |
| --- |
| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.**  |

|  |
| --- |
| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

## 3.4 Rules for accounting and record keeping

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| --- |
| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

|  |
| --- |
| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

## 3.5 Reconciling the Financial Report to the accounting system

##  and records

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

|  |
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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

# 4 Eligibility of the reported expenditure

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| 1. A clarification: whether the principle of sound financial management, particularly regarding economy and efficiency is complied, and what has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.** |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

## 4.1. Ineligible costs and use of currency exchange rate

**4.1.1 Ineligible costs, e.g. Value Added Tax, interests**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

**4.1.2 Currency exchange rate**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

**4.2. Reported expenditure**

**Staff (Financial Report heading 1)**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation, material misstatements and/or risk indicators found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations, material misstatements or risk indicators are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

**Travel (Financial Report heading 2)**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

**Equipment and supplies (Financial Report heading 3)**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation, material misstatements and/or risk indicators found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations, material misstatements or risk indicators are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

**Small-scale Investment (Financial Report heading 4)**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation, material misstatements and/or risk indicators found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations, material misstatements or risk indicators are found, a clear statement of it.**  |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

**External expertise and services (Financial Report heading 5)**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| --- |
| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation, material misstatements and/or risk indicators found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations, material misstatements or risk indicators are found, a clear statement of it.**  |

|  |
| --- |
| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

## Investments (Financial Report heading 7)

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| --- |
| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation, material misstatements and/or risk indicators found:** **- In case yes, description of it/them.**- In case no irregularities, difficulties, exceptions, deviations, material misstatements or risk indicators are found, a clear statement of it. |

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| 3. Recommendations and follow-up measures (including previous and current reporting periods): |

## 4.3. Revenues (Financial Report heading 9) and own contribution

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

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| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.** |

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| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |

**4.4. Final Financial Report**

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| 1. What has been verified, i.e. - List of documents and other information on which the verification is based on.- Description of verification procedures (where relevant). |

|  |
| --- |
| **2. Irregularities (one-time or systemic), difficulties, exceptions, deviation and/or material misstatements found:** **- In case yes, description of it/them.****- In case no irregularities, difficulties, exceptions, deviations or material misstatements are found, a clear statement of it.** |

|  |
| --- |
| **3. Recommendations and follow-up measures (including previous and current reporting periods):** |