

Annex 3. Verification Procedures - Guidance

3.1 Verification Evidence and Documentation

1. Verification Evidence and Documentation

The verification team 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 IFAC International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* and these ToR.

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

Verification evidence:

- Shall be identifiable, verifiable and recorded in the accounting records for the Action;
- Shall be available in the original form or in the form of copies (as set out in the Practical Guide for EU External Actions), including in electronic form.
Guidance: records and accounting and supporting documents should 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). Electronic documents can be accepted only where:
 - the documentation was first received or created (e.g. an order form or confirmation) by the Entity in electronic form; or
 - the verification team is satisfied that the Entity uses an electronic archiving system which complies with standards established by the Entity.
- 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;
- Which is obtained directly by the Contractor (e.g. inspection of assets) is more reliable than evidence obtained indirectly (e.g. inquiry about the asset).

If the verification team finds that the above criteria for evidence are not sufficiently met, this shall be detailed in the factual findings.

2. Access to Supporting Documentation, Information Systems and Confidentiality

The Entity, upon request, shall make all relevant information available, including statements of accounts concerning the Action.

Such information, drawn from accounts and records, will be in a form which makes it possible for the verification team to make factual findings with regard to the accountability system put in place by the Entity and the use to which its funds or contributions have been put. The verification team may request clarifications, including verification of specific documents and, as part of these checks, Entity staff will explain, with appropriate concrete examples, how the accounts are managed and the procedures used to ensure transparency and accuracy in the accounts and to guard against the misuse of funds and fraud.

As part of the process of obtaining an understanding of control systems, the verification team may wish to confer with the organisation's internal audit function and external auditors in order to understand the overall operation of the internal and external audit function.

Subject to considerations of confidentiality, original documents - being it in paper or in electronic form - shall be shown to the verification team to facilitate the verification process,

Documents will only be photocopied if this is necessary. However the verification team will respect the established confidentiality policy of the Entity which the Entity must transmit to the verification team. Limitations to photocopies exist for UN and WBG entities.

For practical verification purposes the following shall apply within the limits of the rules and procedures agreed between the EC and the Entity (if any):

Access to documents

Access to documents means that the verification team shall be able to inspect any document considered necessary for the verification. Inspection means that

- a document can be examined in real time either physically (in documentary form) or visually (in electronic form; e.g. an electronic document projected on a screen);
- explanation and clarification with regard to a document can be requested from the Entity staff concerned; and
- the verification team can draft comments and findings either on a copy of the inspected document (if photocopies are allowed) and/or make notes in its working papers.

Access to systems

Access to systems means that the verification team shall be able to inspect information and data in electronic data processing or computerised information systems such as accounting and (financial) reporting systems and other relevant systems (e.g. assets, payroll or procurement systems). Inspection means that:

- information and data can be viewed and examined in real time either directly by giving the verification team 'read' access to the system or indirectly. Indirectly means that the WBG staff will set up a screen on which relevant data and transactions from relevant systems will be presented to the verification team in real time.
- explanation and clarification with regard to data and transactions can be requested from the Entity staff concerned; and
- the verification team can draft comments and findings either on a printed copy of the data shown on the screen (screen prints of electronic data and transactions), if printed information is allowed, or make notes in its working papers.

3. Specific procedures for obtaining verification evidence in case of doubt or uncertainty with regard to the eligibility of expenditure

The verification team shall obtain sufficient appropriate verification evidence to support financial findings for ineligible expenditure. In some cases the Entity may not be able to provide evidence which is strictly speaking required in the Contractual Conditions but the verification team may obtain sufficient evidence that the expenditure concerned is eligible.

In case of doubt or uncertainty with regard to conditions for eligibility of expenditure the verification team shall perform and document the following specific procedures:

- The Entity cannot provide documentary or formal evidence that prior approval or authorisation was obtained for expenditure as required in the Contractual Conditions

Example: formal approval of the EU Delegation or of a Steering Committee is required for specific expenditure but there is no formal or written evidence.

Procedure: the verification team contacts the Commission's Audit Task Manager (ATM) and requests confirmation from the Commission that approval was given or obtains written ex-post approval from the Commission or the Steering Committee.

- Contractual Conditions are absent or not sufficiently clear

Procedure: if relevant Contractual Conditions are absent or not sufficiently clear the verification team shall contact the ATM and request clarification in order to obtain sufficient information to determine that expenditure is eligible or not eligible.

The specific procedures should, insofar as possible, be performed during the fieldwork and prior to the closing meeting but in any case prior to the issuing of the draft verification report.

Specific procedures shall not result in delays in the verification team's field work nor in the submission of the draft and final verification report. If the verification team cannot obtain sufficient information (this includes a non-reply to a request for clarification to the Commission) before the issuing of the draft verification report, the finding can be classified as '*for further consideration by the Commission*'. Specific procedures and the results of the verification team's enquiries shall be properly documented in the verification team's working papers.

4. Retention of Verification Documentation (Working Papers)

The verification team shall retain verification documentation for the engagement (including evidence for fees and expenses such as invoices for hotel accommodation, air plane boarding cards, ticket stubs, time sheets etc.) for inspection by the Commission for a period of 5 years from the date of payment by the Commission of the Contractor's final invoice for this engagement. The Commission shall, on request and in accordance with the legislation in the country where the office having responsibility for the verification is based, have access to the audit documentation within this 5 year period.

3.2 Planning

1. Preparatory Meeting with the Commission

The Commission normally foresees a preparatory meeting with the verification team. This meeting will take place at DEVCO Headquarters in Brussels, or in the EU Delegation concerned by the verification or at another place whichever location is most appropriate and convenient for both parties. The purpose of this meeting is to discuss the planning, fieldwork and reporting of the verification and to clarify outstanding issues. The Commission and the verification team may agree to use alternative methods to prepare the verification (e.g. conference calls).

2. Opening Meeting with the Entity

The verification team shall arrange for an opening meeting with the Entity to discuss the planning, fieldwork and reporting. The verification team shall explain the nature, objectives and scope of the verification. The verification team shall inform the Commission about this meeting which may be attended by Commission representatives including the ATM. During the preparatory and opening meetings the verification team may request additional information and documents that he/she considers necessary or useful for the planning and fieldwork of the verification. The verification team may contact the Entity directly to obtain such information.

3.3 Fieldwork

1. Procedures to be performed

See Annex "*Listing of Verification Procedures to be performed*" of the present ToR.

2. Fraud and irregularities

The verification team may find that a fraud or irregularity has occurred or is likely to have occurred and such findings shall be reported to the Commission in a complementary letter. The Commission will decide on follow-up measures including where appropriate the launching of an investigation by OLAF.

3. Complementary letter

The verification team may at any time during the verification process draw up a complementary letter if it considers that the Commission should be informed about facts and issues that are or may be urgent or of particular interest and importance to the Commission.

This may cover issues that do not fall within the verification scope and/or the nature of which may be confidential or sensitive including for example indications and evidence of fraud or irregularities.

The Contractor shall submit the complementary letter to the Commission as a separate and confidential letter independent of the verification report and solely addressed to the Commission. The ATM will ensure a proper and timely distribution to the relevant Commission services.

4. Debriefing Memorandum ('Aide Mémoire')

The verification team shall prepare a Debriefing Memo for discussion at the closing meeting. The Memo shall outline the main verification findings which have resulted from the fieldwork and recommendations. A copy of the Memo shall be sent to the ATM.

5. Closing Meeting

At the end of the on-site verification, the verification team shall arrange for a closing meeting with the management of the Entity and staff involved in the verification. The ATM and other Commission representatives can attend the meeting.

The purpose of this meeting is to discuss the Debriefing Memo and to obtain the confirmation and initial comments of the Entity on the Contractor's findings and recommendations. The verification team will explain the conduct of the verification (a/o objective, scope, conduct, reporting aspects) and present its preliminary findings and recommendations.

The verification team and the Entity can agree outstanding information to be provided by the Entity and where applicable a deadline for submission. The verification team

can inform the Entity about the reporting procedures. The verification team shall document any comments (verbal and written) made by the Entity and by Commission representatives and take these into account for the verification report.

3.4 Reporting

1. Basic Reporting Requirements and Language

The verification team shall report the results of the verification in accordance with ISSR 4400, the practices of its firm and the requirements of these ToR.

The report shall be objective, clear, concise, timely and constructive.

The report shall be presented in the language as indicated in the section "*Reporting*" of the ToR. If the language of the report is other than English or French the Auditor shall also provide an executive summary of the report in English or French.

2. Date of the Verification Report

The date of draft and pre-final reports shall be the date when these reports are sent for consultation. The date on the cover page of the final verification report shall be the date when the final verification report is signed.

Facts and events that have come to the verification team's attention before the final report is signed and which have an impact on the findings in that report must be taken into account. However, the verification team is under no obligation to enquire of the Entity's management and/or to carry out further verification procedures after the verification closing meeting and before the signature of the final report.

3. Procedure for the consultation and submission of the draft report

The Contractor shall submit a draft report to the Commission (i.e. to the attention of the ATM) within 21 calendar days after the day of the closing meeting (i.e. the end of verification field work). The draft report shall include the comments of the Entity insofar as these have already been obtained during the fieldwork of the verification and the closing meeting.

A paper and an electronic version of the draft report along with a cover letter shall be submitted. The word 'draft' shall be clearly indicated on all versions.

The Commission shall provide comments to the Contractor within 21 calendar days from receipt of the draft report. The ATM shall collect the Commission's comments and ensure a proper and timely submission to the Contractor.

The Commission may request the verification team to carry out additional verification work in which case a reporting deadline shall be agreed on a case-by-case basis.

The Contractor shall submit to the Commission a revised draft report which takes into account the Commission's comments within 7 calendar days from receipt of the Commission's comments. After approval of the draft report by the Commission, the Contractor shall submit the draft report to the Entity for consultation within 7 days from receipt of the Commission's approval of the draft report.

The Entity shall submit comments to the Contractor within 21 calendar days from receipt of the draft report. If the Entity's comments are not received within this deadline, the verification team reminds the Entity until a written reply from the Entity is received. In the exceptional case where the Entity does not reply or where the absence of a reply leads to excessive delays in the consultation and reporting process, the Contractor contacts the Commission to discuss a solution. The Contractor shall record and document causes and reasons for delays in the consultation of reports for which the verification team is not responsible.

The Commission normally foresees a meeting with the Contractor after receipt of the draft verification report. This meeting will take place at DEVCO Headquarters in Brussels, or in the EU Delegation concerned by the verification or at another place whichever location is most appropriate and convenient for both parties. The purpose of this meeting is to discuss the draft report and any related issues that require specific attention. The Commission and the Contractor may agree to use alternative methods to discuss the report (e.g. conference calls).

4. Procedure for the consultation and submission of the final report

If no additional verification fieldwork is required, the Contractor shall submit a pre-final report to the Commission (i.e. for the attention of the ATM) within 7 calendar days from receipt of the Entity's comments on the draft report. The word 'pre-final' shall be indicated on the cover page of the pre-final report. The Commission shall inform the Contractor in writing whether it accepts the pre-final report within 14 calendar days from receipt of the pre-final report.

The Contractor shall submit a final report within 7 calendar days from receipt of the Commission's comments on the pre-final report.

The Contractor shall then submit an original paper version and one electronic version of the final report along with a cover note to the Commission. In the cover note the Contractor shall confirm that two original paper versions of the final verification report have been sent to the Entity.

The reports shall be provided on original letterhead of the Contractor. The word 'final' shall be clearly indicated on all versions. The Contractor shall also send an electronic version of the final report (i.e. a scanned copy (in PDF format) of the signed and dated final report with the Contractor's letterhead paper) to the ATM.

The ATM will ensure submission of the final verification report to the Commission services concerned. The period between the verification closing meeting and the submission to the Commission of the final verification report shall not exceed 105 calendar days or 15 weeks.