

Annex I

Model terms of reference for the Certificate on the Financial Statements

1. Audit methodology - verification of the beneficiary's accounting system

The auditor shall examine:

- whether the internal accounting (analytical or other suitable internal system) and auditing procedures permits direct reconciliation of the costs and revenues declared under the work programme;
- whether the actual expenditure/income under the work programme has been recorded systematically using a numbering system specific to each action;
- whether when costs are shared between several other projects, the appropriate allocation keys have been established that reflect the true burden for each project;
- whether such allocation keys have been applied systematically and correctly.

The auditor shall also examine, whether the expenses:

- were provided for in the initial budget¹ and were incurred directly by the beneficiary;
- are supported by appropriate justifying documents;
- have been recorded in the beneficiary's accounts or tax documents;
- were incurred during the financial year of the work programme;
- comply with the requirements of applicable tax and social legislation;
- are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency;
- the correct exchange rates were used (if applicable);
- the reasons of any substantial fluctuations of more than 20 % per category were given;

The auditor shall examine whether the ineligible costs in accordance with the provisions of the Grant Agreement art. II. 19. 4 were correctly reported. The following costs shall be considered ineligible:

- (a) return on capital;
- (b) debt and debt service charges;
- (c) provisions for losses or debts;
- (d) interest owed;
- (e) doubtful debts;
- (f) exchange losses;
- (g) costs of transfers from the Commission charged by the bank of a beneficiary;
- (h) costs declared by the beneficiary in the framework of another action receiving a grant financed from the Union budget (including grants awarded by a Member State and financed from the Union budget and grants awarded by other bodies than the Commission for the purpose of implementing the Union budget); in particular, indirect costs shall not be eligible under a grant for an action awarded to the beneficiary when it already receives an operating grant financed from the Union budget during the period in question;
- (i) contributions in kind from third parties;

¹ Data provided in the estimated budget should be considered as provisional. A certain degree of flexibility should be applied when comparing the actual expenses with the ones in the estimated budget. Only significant (i.e. more than 20% between budget categories) deviations should be considered as not eligible.

- (j) excessive or reckless expenditure;
- (k) deductible VAT.

3. Declaration of auditor's competence

The auditor shall complete the Certificate on the financial statements and undersigned the Declaration of their competence.

Certificate on the financial statements

1. General information of the Work Programme of the beneficiary

Grant agreement number	
Legal name of the beneficiary	
Financial year	
Total estimated budget of the approved Work Programme	
Percentage funded by EC DG REGIO	
Maximum EC funding:	

2. Audit results

2.1. Verification of the beneficiary's accounting system

Describe the official Book-keeping System of the beneficiary:	
Describe auditing procedures:	
Describe any omissions and their consequences for the declared costs:	

2.2. Verification of the eligibility of the declared costs

Comments on the general variations between actual expenditure and budget costs and on eligibility of expenditure incurred:	
Expenditure under the budget categories with a variance of more than 20% of planned budget – explain:	
Describe expenses incurred outside the contractual period:	
Describe ineligible costs that shall be excluded from the EU financing under this Grant:	
Other significant issues on the eligibility of costs:	

The audit checks were performed in a sample basis as presented in the following table:

Cost category	Declared Amount (a)	Sample	
		Checked Amount (b)	(%)= (b/a)
Personnel			
Travel and subsistence			
Rental, equipment and depreciation			
External assistance / Subcontracting			
Other direct costs			
Overheads / General administration			
Income			

2.3. Expenditure as calculated after the audit

Following the analysis of the declared costs, the eligible total costs have been calculated. The ineligible costs were deducted from the list of costs submitted by the beneficiary.

Breakdown by category	Total costs declared by the beneficiary	Total costs eligible /confirmed by the auditor 3
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Personnel		
Travel and subsistence		
Rental, equipment and depreciation		
External assistance / Subcontracting		
Other direct costs		
Overheads / General administration		
Total costs incurred on the work programme		
Total costs in the Estimated budget of the work programme		

2.4 Statement of expenditure and income

Following the analysis of expenditures and incomes, **the total eligible costs** confirmed by the auditor have been compared with **the total incomes and revenues of the work programme**.

Statement of expenditure and income	
1a Personnel	
1b Travel and subsistence	
1c Rental, equipment and depreciation	
1d External assistance / Subcontracting	
1e Other direct costs	
1f Overheads / General administration	
Ineligible costs related to the work programme	
2a. Contribution by member organizations	
2b Other sources of financing	
2c Other revenues	
2d Profit generated at the end of the year	
2e Contribution received from the Commission	
2f Requested contribution from the Commission to be received or reimbursed (*)	
TOTAL Expenditure / Income and Revenue = total (1a) to (1f) = (2a) to (2f)	

(*) The final contribution will be calculated by the Commission after assessment of the final report

3. CONCLUSIONS

On the basis of the financial control, in accordance with the Grant Agreement, I consider that I have obtained reasonable assurance that the Financial Statements of the Work Programme, Grant Agreement no....., start date, end date....., gives a true and fair view of the expenses, income and investments incurred/made by(name of the beneficiary) in connection with the above mentioned grant agreement within the time limit laid down by the Commission and in accordance with the DG REGIO Regulations, with the exception of(mention any cost/income which gave rise to uncertainty).

(Auditor)
(Signature and date)

Declaration of auditor's competence

I, the undersigned,....., independent auditor, hereby declare:

(1) that I am independent of the.....(*name of the audited bodies*) which are the object of this audit;

(2) that I am an approved auditor, that I am an active member of the national association (*name*) with membership n° and/or I am an auditor registered with the reference (*number/reference*) under the law of (*name of country*).

Date: Signature: