

Terms of Reference for Project Audit

1. BACKGROUND

The Project MEDARTSAL funded by the European Union under the ENI CBC Med Program under the Thematic objective **A.1 BUSINESS AND SMES DEVELOPMENT** and the Priority **A.1.2: Strengthen and support euro-Mediterranean networks, clusters, consortia and value-chains in traditional sectors (agri-food, tourism, textile/clothing, etc.) and non-traditional sectors (innovative ideas solutions for urban development, eco-housing, sustainable water-related and other clean technologies, renewable energy, creative industries, etc.)**.

MEDARTSAL project is implemented in 4 Mediterranean countries through a partnership of 8 implementing partners from Italy, Spain, Lebanon, and Tunisia. MEDARTSAL project aims to adopt coordinated actions to define and implement a MODEL FOR THE SUSTAINABLE MANAGEMENT OF ARTISANAL SALINAS, which will stimulate the local economy and territorial cohesion.

The total project budget is 3.299.001,13 EURO. The total contribution of the ENI CBC MED Programme amounts to 2.969.101,02 Euro (a maximum of 90% of the total project cost).

The 8 project's partners are in charge of implementing the project.

The Budget of the Association for the Development of Rural capacities from the overall budget is 523,781.61 EURO.

2. OBJECTIVE

The objective of the audit is to ensure compliance of expenditures under the MEDARTSAL project with the domestic bypassing law as well as their compliance with the Program requirements and provisions of the grant contract, including the valid version of the application form.

The audit is an expenditure and revenue verification procedure regarding the Individual Financial Report for the Grant Contract between ADR, CUEIM and the Managing Authority of the program.

3. RESPONSIBILITIES

3.1. The Beneficiary is responsible for providing the Financial Report, as well as giving access to its accounting, supporting documents and project documentation and physical investments to the Auditor, so that the procedures described in Annex I can take place in due time and without restrictions.

3.2. The Auditor is responsible for performing the agreed-upon procedures described in Annex I with due care and full respect of the Code of Ethics therein indicated, as well as submitting the reports to the Beneficiary. Additionally, the Auditor shall submit the ad hoc report directly to the Managing Authority in case of fraud. The Auditor will attend the specific trainings and meetings for Auditors organized by the competent Program bodies. The Managing Authority may request the termination of the auditors not attending to these events.

4. THE SCOPE OF VERIFICATION BY THE AUDITOR, INCLUDES IN PARTICULAR:

1) verifying whether the progress report/final report has been filled correctly with respect to formal and accounting aspects.

- 2) verifying whether the expenditure declared complies with the grant application form, grant contract, partnership agreement, i.e. whether it has been planned in the project and is settled in accordance with the eligibility rules and within the correct expenditure category.
- 3) verifying whether the lead beneficiary has transferred funds to the project partner(s) in accordance with the grant application form, grant contract and partnership agreement.
- 4) verifying whether the substantive scope of the project is being implemented in accordance with the schedule of the grant contract, including whether the required indicators have been achieved.
- 5) verifying whether the costs, expenditure and revenue of the project as well as the equipment, intangible assets purchased, and the construction completed works have been delivered and correctly recorded in the financial/accounting system of the project beneficiary.
- 6) verifying whether the contractors of services, deliverables and works under the project have been selected through the appropriate tender procedures, including compliance with the national public procurement procedures.
- 7) verifying the compliance of the expenditure incurred with the national regulations and Program requirements (regulations on state aid, visibility, publicity, environment protection and equitable opportunities, if applicable).
- 8) verifying documentation confirming the delivery of co-financed goods, services and construction works.
- 9) verifying whether the expenditure has been actually incurred and paid, except for simplified methods of expenditure settlement.
- 10) verifying whether a separate accounting system is kept or whether the appropriate accounting code is used for all transactions related to the project, except for simplified methods of expenditure settlement.
- 11) verifying whether the project implementation progress has been clearly and fully reflected in the reports and whether there is immediate access to the record of activities that have been completed, verifying the appropriate documentation of goods deliveries, service provision and construction works both in progress and finished.
- 12) verifying the complete tender documentation for contracts awarded under the project in accordance with the national bypassing law.
- 13) verifying the documentation of the selection of the subcontractor for contracts awarded under the project whose values are below the national thresholds for the application of public procurement procedures (considering the Program requirements for contracts).
- 14) verifying whether the award of contracts has complied with competition rules specified in Program documents.
- 15) verifying the method of archiving of project documentation.

16) verifying whether the project beneficiary has implemented recommendations following the controls and audits carried out and whether it has remedied the irregularities if any have been found.

The auditor shall verify expenditure based on audit procedures they are bound to observe, specified in the Program and in accordance with:

1) the International Standard on Related Services 4400, Engagements to Perform Agreed-upon Procedures Regarding Financial Information, in the version issued by the International Federation of Accountants (IFAC).

2) the Code of Ethics for Professional Accountants developed and issued by the IFAC's International Ethics Standards Board for Accountants.

5. LANGUAGE

The language of the contract and of all written communications, including reports, between the Auditor and the Beneficiary shall be in English.

6. IMPLEMENTATION OF THE TASKS AND DELAYS

7.1 The starting date for implementation will be the date of signature of the contract between the auditor and the contracting project partner.

7.2 The period for delivery of the reports to the Beneficiary is <30> calendar days from submission of each financial report by the Beneficiary.

7.3. Three Audit Missions are requested during the project lifetime. A Financial Audit is requested at the end of each project year

First Audit Period: 5/11/2019 till 5/11/2020

Second Audit Period: 5/11/2020 till 5/11/2021

Third Audit Period: 5/11/2021 till 4/11/2022

7. DELIVERABLES

AUDIT REPORT

7.1 The Auditor shall submit the expenditure and revenue verification reports to the Beneficiary, with its annexes, following the templates and procedures established in the annexes:

- annex I: description of the procedure,
- annex II: control checklist,
- annex II: template of individual report,
- annex III: template of list of findings,
- annex IV: template of report on suspected and/or established fraud.

7.2. In case of identification of suspected and/or established fraud, the Auditor shall submit the report in annex IV without delay directly to the Managing Authority indicated in the grant contract. This report shall not be submitted to the Beneficiary.

8. AUDITOR QUALIFICATION

8.1. Auditor Independence

It is required that the auditors fulfil the independence requirements of the IFAC Code of Ethics for Professional Accountants. In addition, the auditor's independence is defined as their organizational independence from the institutional structures and the operations of the beneficiary, including activities carried out as part of the project. The objectivity and independence shall be infringed in case of provision of assurance, advisory or consulting services concerning the activities of the beneficiary within two years preceding the start of providing the project verification service, with the exception of providing services concerning the verification of projects financed by the European Neighborhood and Partnership Instrument and the European Neighborhood Instrument. The independence shall be breached by holding shares or other titles of ownership of the auditee. The objectivity shall be infringed by the occurrence of a conflict of interest, when the impartial and objective fulfilment of the function by the auditor is compromised due to family or emotional reasons, political sympathies or belonging to a state, an economic interest or any other common interest with the beneficiary being audited, providers of services to the verified project or entities involved in implementing the Program. Such situations shall include actions or relationships, which may be contrary to the beneficiary's interest. The auditor's independence and objectivity are seen as the need to avoid any situation that could lead to a conflict of interest, including the avoidance of situations in which even only a theoretical possibility exists that the personal interest may outweigh the result of the verification being conducted.

8.2. Auditors' qualifications

1) The auditor must fulfil at least one of the following requirements:

- a) be a member of the national authority or body for accounting and audit, which is the member of the IFAC,
- b) be a member of a national accounting or audit authority or entity. If this organisation is not an IFAC member, the auditor must undertake to execute work in accordance with IFAC standards and codes of ethics and must hold at least one of the following certificates: CIA, CGAP, ACCA, CIMA.,
- c) be registered as an auditor in the register of auditors maintained by the National Council of Statutory Auditors.

2) When verifying public procurement, the auditor must, in addition, fulfil at least one of the following requirements:

- a) have carried out controls of the correctness of at least 10 public procurement procedures covered by the public procurement law,
- b) have provided at least 10 legal advisory services concerning the application of the public procurement law, including, among others, issuing written legal opinions, representing before the National Appeals Chamber.
- c) has a knowledge of English at least at the B2 level according to the classification of the Common European Framework of Reference for Languages.

The qualifications listed in points 1 and 2 may be proven by two auditors (e.g., cooperating under the civil law with another auditor, a cooperation agreement, a firm with several auditors etc.), whereas each point must be fulfilled entirely by one auditor (i.e. situations in which e.g. one auditor confirms completing 5

controls and the other also confirms completing 5 controls will not be considered as the fulfilment of the above conditions).