

Terms of Reference

For the Financial and Compliance Audit

EEA Grants Programmes in Greece

**“Asylum & migration” and “Local development &
Poverty reduction”**

Athens, November 2021

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1. INTRODUCTION

The EEA and Norway Grants represent the contribution of Iceland, Liechtenstein and Norway to reducing economic and social disparities and to strengthening bilateral relations with 15 EU countries in Central and Southern Europe, and the Baltics. A total contribution of € 2.8 billion to the 15 beneficiary countries has been agreed for the 2014-2021 Grants. The **Financial Mechanism Office (FMO)** administers the EEA and Norway Grants, acting as a secretariat to the three donor states.

There are five priority sectors, each comprising a number of ‘programme areas’, for the 2014-2021 period. These reflect the priorities of the EU and aim to respond to the shared challenges facing Europe. The specific priorities and allocations of funding to each programme area vary for each beneficiary country depending on its needs and own priorities. The **Asylum & migration Programme** and the **Local Development and Poverty Reduction Programme** in Greece aim to alleviate the suffering of the most vulnerable in Greece and strengthen social and economic cohesion, to address urgent needs for the reception and screening of asylum seekers and for the accommodation of vulnerable groups through capacitated experienced partners and the strengthening of bilateral cooperation between Iceland, Liechtenstein and Norway and Greek.

On 21st of February 2019, a Programme Implementation Agreement was signed between the Financial Mechanism Office (FMO) and SOLCrowe in partnership with HumanRights360. Both organizations, were selected by the Financial Mechanism Office (FMO), to act as the Fund Operator (FO) for two abovementioned EEA (European Economic Area) Grants Programmes (2019-2024) in Greece. The roles and responsibilities of the FMO and the FO are set out in the **Programme Implementation Agreement (PIA)** and its annexes, signed on 21/02/2019 between the parties¹.

According to the PIA, “*before approval, the final financial reports of all the projects shall be subject to an independent, external financial and compliance audit commissioned by the Fund Operator*” (Art. 9.5).

1.1. Background and Information of the Programmes

PROGRAMME I: LOCAL DEVELOPMENT AND POVERTY REDUCTION

During the programmatic period 2014-2021, the programme Local Development and Poverty reduction, aimed at alleviating the suffering of the most vulnerable in Greece and strengthen social and economic cohesion, following the following predefined programmatic areas:

- Social and economic development in specific geographic areas
- Anti-discriminatory activities focusing on groups vulnerable to social and economic exclusion
- Interventions to increase job prospects
- Interventions to increase job capacity, especially among the most vulnerable
- Quality of and access to social/welfare services > Networking and policy exchanges between municipalities

¹ PIA general rules can be found [here](#).

PROGRAMME II: ASYLUM AND MIGRATION

Building on the results of the EEA GR05 programme, in the last period 2009-2014 the objective of the Programme Area "Asylum and Migration" is to ensure the functioning of national asylum and migration system, and to safeguard the right to seek asylum. Particular focus is given to projects enhancing vulnerable asylum seekers' path to independence, encouraging their transition from supported living in centres, to their inclusion in the local community, as well as their path to return and re-integrate to the Countries of Origin (for rejected applicants).

PROGRAMMES BY OUTCOME, BUDGET, PROJECT PROMOTER AND SELECTION PROCESS

Programme I: Local Development & Poverty Reduction (see expected results [here](#) and [here](#))

Objective: Strengthened Social and Economic Cohesion

Outcome	Description	Funding	Project Promoter	Selection
Outcome 1	Integration of Refugee Children in Greek Schools	€ 1,500,000	European Wergeland Center	Pre-defined
Outcome 2	Increased opportunities for integration and social inclusion for vulnerable individuals	€ 2.000.000	SolidarityNow	Pre-defined
Outcome 3	Increased employment among recently unemployed people	€ 2,468,000	Municipality of Athens	Pre-defined
Total Funding: 5.968.000,00 EUR				

Programme II. Asylum & Migration (see expected results [here](#))

Objective: Functional national asylum and migration management system ensured and the right to seek asylum safeguarded

Outcome	Description	Funding	Project Promoter	Selection
Outcome 1	Improved Quality of accommodation and other services provided in open reception centres	€ 7,632,000	Metadrasi, Arsis, IRC, MDM, SMAN	Open Call
Outcome 2	Capacity of key institutions to ensure protection of vulnerable asylum seekers, particularly UAMs, is strengthened	€ 3,500,000	NORCAP	Pre-defined
Outcome 3	Quality assurance of asylum procedures and free legal aid to vulnerable asylum seekers"	€ 3,000,000	UNHCR	Pre-defined
Outcome 4	Orderly and humane voluntary return of migrants or vulnerable groups is secured	€ 1,000,000	IOM	Pre-defined
Total Funding: 15.132.000,00 EUR				

More information on the history of the programmes and each project separately can be found in the FOs [website](#).

Each programme has a bilateral relations outcome which is also expected to be included in the financial and compliance audit.

Programme I: Local Development & Poverty Reduction (see expected results [here](#) and [here](#))

Objective: Strengthened Social and Economic Cohesion

Outcome	Description	Funding	Project Promoter	Selection
Bilateral Outcome	Enhanced collaboration between beneficiary and donor	€ 50,000	PDPs	Pre-defined

state entities involved in the programme				
Programme II. Asylum & Migration (see expected results here)				
Objective: Functional national asylum and migration management system ensured and the right to seek asylum safeguarded				
Outcome	Description	Funding	Project Promoter	Selection
Bilateral Outcome	Enhanced collaboration between beneficiary and donor state entities involved in the programme	€ 125,000	Multiple	Open Call

2. SUBJECT OF THE CONTRACT

The Fund Operator is looking to appoint an External Certified Auditor to provide a high quality financial and compliance audit of the Projects under “Asylum and Migration” Programme as well as “Local Development and Poverty Reduction” Programme and bilateral cooperation initiatives of both Programmes.

The **objectives** of this audit are to enable the Auditor to express an opinion on whether:

- The Final Financial Report presents fairly, in all material respects, the actual expenditure incurred by the Project Promoters (PPs), and the revenue received, in conformity with the applicable Contractual Conditions; and
- The Programme funds provided have, in all material respects, been used in conformity with the applicable Contractual Conditions.

The specific objectives, or audit assertions, that the auditor should cover in the audit are:

- Compliance with the co-financing requirement (if applicable) at project level, including compliance of any in-kind contribution in the form of voluntary work with the rules set out in Article 4.6 of the PIA;
- Reality and measurement: underlying operations exist and are accurately determined;
- Eligibility of underlying transactions: the expenditure meets the eligibility criteria set out in Chapter 4 of the PIA;
- Compliance with Public Procurement rules set out in Chapter 7 of the PIA;
- Compliance with other requirements: other (non-eligibility) criteria are met;
- Correctness of calculations: all calculations are correctly undertaken;
- Completeness and accuracy of accounting: all transactions are accounted for, are not included more than once, and are recorded in the correct accounting period and at correct value; and
- Compliance with the information and communication rules set out in Chapter 3 of the PIA.

2.1 Scope

Article 9.5 of the PIA requires an independent, external financial and compliance audit of all the projects before approval, by the FO, of the final financial reports.

The subject of the audit is the expenditure and revenue as stated in the final financial report (before approval by the FO) submitted by the PPs for the projects.

The projects that shall be subject to the external financial and compliance audit are the following:

Programme I: Local Development & Poverty Reduction (see expected results [here](#) and [here](#))

	Objective: Strengthened Social and Economic Cohesion				
Outcome	Description	Total Budget	Funding (100%)	Project Promoter	Selection
Outcome 2	Increased opportunities for integration and social inclusion for vulnerable individuals	€ 2.000.000	€ 2.000.000	SolidarityNow	Pre-defined
Outcome 3	Increased employment among recently unemployed people	€ 2,468,000	€ 2,468,000	Municipality of Athens	Pre-defined
	Total Funding: 4.468.000 EUR				

Programme II. Asylum & Migration (see expected results [here](#))

	Objective: Functional national asylum and migration management system ensured and the right to seek asylum safeguarded				
Outcome	Description	Total Budget	Funding (90%)	Project Promoter	Selection
Outcome 1	METAdrasi - Action for Migration and Development	€2.471.670,00	€2.224.503,00	METADRASI	Open Call
Outcome 1	Diaplous	€1.794.508,89	€1.615.058,00	ARSIS	Open Call
Outcome 1	FUTURA - Fostering the Transition of Unaccompanied childRen to Adulthood	€1.914.067,78	€1.722.661,00	IRC	Open Call
Outcome 1	"A step Forward - Accommodation Facility for Women Asylum Seekers at Risk and for Mothers with their Children"	€1.105.416,67	€994.875,00	MDM	Open Call
Outcome 1	House2	€1.194.336,67	€1.074.903,00	SMAN	Open Call
	Total Funding: 7.362.000 EUR				

Programme I: Local Development & Poverty Reduction (see expected results [here](#) and [here](#))

Objective: Strengthened Social and Economic Cohesion

Outcome	Description	Funding	Project Promoter	Selection
Bilateral Outcome	Enhanced collaboration between beneficiary and donor state entities involved in the programme	€ 50,000	PDPs	Pre-defined

Programme II. Asylum & Migration (see expected results [here](#))

Objective: Functional national asylum and migration management system ensured and the right to seek asylum safeguarded

Outcome	Description	Funding	Project Promoter	Selection
Bilateral Outcome	Enhanced collaboration between beneficiary and donor state entities involved in the programme	€ 125,000	Multiple	Open Call

Key data for each Project can be found in the FOs [website](#).

Key data for Bilateral Cooperation Initiatives can be found in the FOs [website](#).

The audit should be performed at the premises of the FO, (unless unexpected circumstances arise) as well as at the premises of the PPs. The Auditor should confirm the location(s) of the audit with the FO prior to the start of the audit fieldwork and ensure that relevant supporting documents as well as key staff will be available at these locations during the audit.

The Auditor should obtain a preliminary understanding of the engagement context, including the Contractual Conditions for the Programme, the Entities (FO and PPs), and the nature and scope of the projects subject to audit.

The Auditor should verify compliance of expenditures with the Contractual Conditions applicable for the Programmes including the legality and regularity of these expenditures, not simply that the relevant transaction has been authorized, incurred, and paid.

The term 'Contractual Conditions' refers to the conditions, rules, and other criteria set out in:

- the Programme Implementation Agreement (PIA) including Annexes;
- the Project Contracts with the PPs including the detailed annexed budget (to be provided by the FO);
- the Greek national legislation applicable to the FO / PP.

The Auditor will inform the FO as soon as possible about any limitations in the scope of work prior to, or during the audit. The Auditor will report any attempt by any of the entities to restrict the scope of the audit, or any lack of co-operation on the part of any of the entities. The Auditor will consult the FO on what action may be required, whether or how the audit can be continued and whether changes in the audit scope or the timetable are necessary.

2.2 Standards and Guidance

This financial and compliance audit is governed by:

- The IFAC International Framework for Assurance Engagements;
- The IFAC International Standards on Auditing (ISAs) for Audits of Historical Financial Information insofar as these can be applied in the specific context of a contractual compliance audit (refer to further guidance set out in Annex 2 of the ToR);
- The IFAC Code of Ethics for Professional Accountants (issued by IFAC's International Ethics Standards Board for Accountants - IESBA), which establishes the fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards; and
- The IFAC International Standards on Quality Control (ISQCs), which establish standards and provide guidance on the Auditor's system of quality control.

2.3 Audit Procedures

The audit should be performed in accordance with the specific guidance set out in Annex II.

The Auditor should exercise due professional care and judgment in order to determine the nature, timing, and extent of audit procedures appropriate for the objectives, scope, and context of the audit. Accordingly, additional procedures may be required in order to confirm the audit assertions, taking into consideration the specific audit risks involved.

2.3.1 Start and timing of the audit

The audit of the final project financial reports from the PPs should be conducted before their approval by the FO, and no later than thirty (30) working days from the submission of all the required information and supporting documentation.

The Auditor should, in advance of the visit, liaise with the FO and other entities and agree the timing of the audit.

2.3.2 Planning and fieldwork

The Auditor should, prior to the actual visits on-site, ensure that the objectives and scope of the audit are clearly communicated to the relevant entities, and that all necessary documents (for planning and executing an effective audit) are received, including:

- Final financial reports for the projects subject to audit;
- Transaction lists supporting the financial reports and clearly showing how individual items map to the categories in the respective financial reports;
- Relevant contracts and agreements (i.e. PIA, Project Contract, Partnership Agreement, etc.).

The actual audit procedures should be performed using an appropriate mix of tests of details, analytical procedures, and tests of controls (as appropriate), in accordance with the relevant ISAs (see guidance set out in Annex II of this ToR).

At the end of the fieldwork, the Auditor should discuss any preliminary findings with the FO and other audited entities, before preparing the draft report.

2.3.3 Materiality

For the purpose of determining what a material misstatement or error is, the Auditor should apply a materiality threshold of 2% of the total amount of gross expenditure with a confidence level of 95%.

The Auditor will report all financial findings **regardless of the amount involved** and identify whether these are of a systemic nature or not. Any errors of a systemic nature should be investigated, and a relevant management control finding raised as appropriate.

2.3.4 Reporting

A separate audit report should be issued for each project audited.

The report should follow a format set out in Annex I to this ToR.

The report shall be in English.

The Auditor should submit a draft report to the FO within 5 calendar days after the last day of the fieldwork. The FO and other audited entities shall then provide, within 10 calendar days, responses (including further documents and explanations) addressing the findings raised in the report. Following this, the Auditor shall have 5 calendar days to consider (and discuss) the responses received from the audited entities and issue the final report.

The period between the last day of the fieldwork and the issuance of the final report should not exceed 20 calendar days. Should it become apparent that this deadline cannot be respected, for whatever reason, the FO should be informed of the circumstances and a revised deadline should be set.

2.3.5 Fraud and irregularities

Should the Auditor, in the conduct of the specific procedures, encounter or uncover any incidents of (potential) fraud or irregularity, such incidents should be reported immediately to the FO (or, if the FO is implicated directly, to the FMO).

3. INSTRUCTIONS FOR TENDERS

3.1 TENDER SUBMISSION

Tenders can be submitted in electronic form to the dedicated programme email: info@asylumandmigration-eeagrants.gr, signed and stamped by the legal representative of the legal entity or the natural person. The proposal should be submitted with the subject "**Tender for EEA Grants Programmes Financial and Compliance Audit**".

The deadline for submission of tenders is 17th of November 2021 at 17:00 Athens time, as evidenced by the date of receipt by the Fund Operator. Fund Operator shall not consider any Tender that arrives after the deadline for submission of Tenders. Any Tender received by Fund Operator after the deadline for submission of Tenders shall be declared late, rejected, and returned unopened to the Tenderer.

FAQs

Any requests for additional information will be accepted in writing in the tender functional mailbox: info@asylumandmigration-eeagrants.gr and will be responded ONLY in writing and ONLY via the tender functional mailbox: info@asylumandmigration-eeagrants.gr. Please use the subject "Request for clarification for the ToR for EEA Grants Programmes Finance and Compliance Audit". Responses to queries will be given until 4 days before the submission deadline and the FO's answers will be published on the Fund Operators website <https://www.asylumandmigration-eeagrants.gr>. It is therefore advisable to consult the website regularly.

3.2 Content of tenders

Proposals shall be submitted in English, electronically and not hand-written. Tenders submitted in other language or hand-written will be automatically rejected. Associations and consortia shall provide all above proofs for each participating entity or person. The contents of each offer is presented below:

The proposal shall include at least the following information:

- a) Documentation relevant to the **eligibility criteria of the tenderer** (as described in the respective section)
- b) Documentation on the Selection Criteria/**Technical Capacity** including
 - A cover letter introducing the consultant(s)/organisation and how the skills and competencies needed for the assignment and described in Section Selection Criteria
 - List of the top 5 similar services completed during the **last 5 years** according to the template provided in Annex III: Table of similar services completed by the Candidate documenting the tenderers previous similar assignments, preferably on the management of external private or public funds and programmes/projects financed by donors
 - **CVs in Europass format** are required for all team members assigned the EARF audit included in the proposal (maximum 3 pages each)
 - A letter of availability should be submitted by each team member proposed for the auditing assignment to ensure that the experts proposed in the proposal will be available to conduct the auditing according to the time plan (Annex IV).
- c) **Technical Proposal** with a brief overview of the proposed methodologies, tools, proposed management of the auditing project that demonstrate the understanding and interpretation

of the audit assignment and the proposed approach (methodology) as well as the organization of the work and resources in order to timely complete the auditing in a quality manner.

- d) **Financial proposal:** A total amount of **16.000 euros (excluding VAT)** will be allocated to the “Tender for EEA Grants Programmes Financial and Compliance Audit”. The financial proposal should include an indicative budget breakdown showing the build-up of the price; It should include the auditing fee, travel and accommodation costs, daily allowance and preparation/report writing and any other proposed products.

4. ELIGIBILITY CRITERIA

In order to be eligible to submit a proposal, tenderers (all tenderers if applying as a consortium) must:

- be legal entities or individual consultants and
- be established in one country of the EU, the European Economic Area, or any third country having concluded bilateral or multilateral agreements with the EU on public procurement procedures and
- be independent of government and governmental bodies at all levels and
- be free of any conflict of interest due to relationship or activity, i.e. having no business, family, friendships or other relations, such as owning shares at the FO or the PPs, having previously worked for the programmes, or is currently working for the programmes, having a relative who is working for the programmes , having a close personal friend in the BoD of the FO or the PP, having received gifts or hospitality, money or other benefits from the FO or the PPs, having generally a personal, family obligation, professional or legal to the FO or PPs. To that end, tenderers shall submit a *solemn declaration declaring that they have not been involved in the planning, selection or implementation of the programmes under auditing, nor have they been involved in any way, in the activities to be audited under this ToR, nor have they any personal interest directly or indirectly in the projects implemented and auditing conclusions*. Tenders shall also declare in the same solemn declaration that *they and their staff have no professional or legal relationships with any of the implementing actors of the projects (project promoters and fund operator) under the two programmes during the last 5 years*.
- have stable and sufficient sources of finance to maintain their activity throughout the contract duration.
- Tenderers are required to prove that they have sufficient economic and financial capacity to perform the contract.
- An association of two or more legal entities or natural persons or even a consortium is also eligible for application.

5. SELECTION CRITERIA

Selection criteria relate to:

- (a) suitability to pursue the professional activity: The Auditor staff shall possess appropriate professional qualifications and suitable experience with IFAC standards, in particular ISAs, and with experience in auditing financial information of entities comparable in size and complexity to the entities subject to audit. The audit team should consist of an engagement leader who will have the ultimate responsibility for the audit, and other audit team members as appropriate to fulfill the audit requirements. The audit work should be performed by an appropriate mix of experts, including an audit manager or team leader, who will supervise the work of other team members. At least one of the members of the team must be fluent in the language of the country where the audit takes place and should have an understanding of the relevant laws, regulations and rules, including accounting, taxation, and labor and social security. The curricula vitae (CVs) of the audit team members should be submitted with the auditor's proposal and should identify clearly relevant expertise.

(b) economic and financial standing: The tenderer's accounts for the last 3 (three) financial years with an overall turnover of min. 15.000 per year.

(c) professional ability: Professional ability shall be proven by the works awarded and completed during the last three years which shall be of the same or similar object.

6. EVALUATION CRITERIA

Should the Tender meet all the requirements specified in the tendering document without material deviation, reservation, or omission, the Fund Operator shall use the criteria listed on the table below to evaluate the tenders. No other evaluation criteria shall be permitted.

Fund Operator may, at its discretion, ask any Tenderer for a clarification of its Tender. Any clarification submitted by a Tenderer in respect to its Tender and that is not in response to a request by the Fund Operator shall not be considered. Fund Operator's request for clarification and the response shall be in writing. No change, including any voluntary increase or decrease, in the prices or substance of the Tender shall be sought, offered, or permitted except to confirm the correction of arithmetic errors discovered by the Fund Operator in the Evaluation of the Tenders. If a Tenderer does not provide clarifications of its Tender by the date and time set in the Fund Operator's request for clarification, its Tender may be rejected.

By applying the criteria listed below, Fund Operator shall determine the Highest Evaluated Tender. This is the Tender of the Tenderer that meets the qualification criteria and whose Tender has been determined to be substantially responsive to the tender documents and the highest evaluated.

The contract will be awarded to the **most economically advantageous Tenderer** evaluating technical and price using a weight of **70% given to quality and 30% the price of each proposal**.

The criteria that will be scored by the Fund Operator for the auditing are the following:

Selection Criteria	Description	Maximum Score	Minimum Score
Quality of the proposed methodology	The suitability of the audit approach and methodology;	35	25
Organization of the work and resources	The applicant demonstrates a good understanding on the intensiveness of the work and demonstrates good planning capacity to achieve the demanding time plan of the audits. It should be explained how the roles and responsibilities of the proposed team are distributed for each task., the global allocation of time and resources to the audit and to each task or deliverable, and whether this allocation is adequate for the work.	35	25
Relevant Experience	Experience of providing relevant external audit services (Tenderer's experience and previous work done)	30	10
Total Score		100	60

For each criterion, the applicants should meet a minimum score in order to be included into the final ranking list as described in the following tables.

6.1 Award (ranking of tenders)

The Fund Operator shall compare the evaluated Tenders to determine the Tender that has the highest evaluated tender. The comparison shall be on the basis of total score, in accordance with the formula below:

$$\text{Total Score} = \frac{P_{min}}{P_i} * 30 + \frac{T_i}{T_{max}} * 70$$

Where:

P_{min}= Lowest Price

P_i= Price of the Tenderer

T_i= Technical score of the Tenderer

T_{max}= Highest technical score

Price weighting = 30

Quality criteria weighting = 70

The contract will be awarded to the successful Tenderer with the highest score. All the tenderers will be informed written for the final scoring list.

The Fund Operator shall transmit the Letter of Award to the successful Tenderer. The letter of award shall request the successful tenderer to accept the Award by signing the Letter and sending it back to the Fund Operator. Within 14 days from acceptance, Successful Tenderer will be requested to sign, date and return the Contract Agreement to the Fund Operator.

For signing the contract, the winning contractors will have to submit to FO all documents proving their legal status and their legal representation, as will be requested by the FO. The name of winning tenderer(s) will be published on the FOs dedicated [website](#).

Fund Operator reserves the right to accept or reject any Tender, and to annul the Tendering process and reject all Tenders at any time prior to notification Award, without thereby incurring any liability to Tenderers. In case of annulment, all Tenderers shall be notified with reasons and all Tenders submitted shall be promptly returned to the Tenderers.

6.2 Appeals

Applicants can submit an appeal against the official decision of the FO within five days from the receipt of the rejection letter. The Fund Operator is obliged to assess the appeal within five more days.

7. Volume of the Contract

The total estimate to be contracted, amounts to **€16.000 (excluding VAT)**

8. Dispute Resolution

The present TOR and the whole tender procedure will be governed by Greek Law. For any dispute that cannot be resolved amicably, the courts of Athens will be competent courts.

Annex I Financial and Compliance Audit Report Template

[INSERT LETTERHEAD OF AUDITOR HERE]

Annex – Financial and Compliance Audit Report Template

[DRAFT OR FINAL] REPORT

[Date]

A FINANCIAL AND COMPLIANCE AUDIT

Name of the Fund Operator (FO):

Country:

Programme:

Project subject to audit: [Please provide a title and Grace reference Number]

Name of the Project Promoter:

Period subject to audit:

Dates of fieldwork:

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for the period <date> to <date>/	
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Independent Assurance Report

We have audited the expenditure and revenue as stated in the Final Financial Report for the Project 'XXX' (the 'Project) for the period from <date> to <date>, prepared by <name of Project Promoter> (the Project Promoter) pursuant to the requirements set out in the Programme Implementation Agreement signed between the Financial Mechanism Office (FMO) and the Fund Operator and the Project Contract signed between the Fund Operator and the Project Promoter.

Our findings are set out in the relevant sections of our report, which is made solely to the Fund Operator and the FMO.

Respective responsibilities of the Project Promoter's management

The **Project Promoter's** management is responsible for the preparation of the Financial Report in accordance with the applicable Contractual Conditions, and for such internal controls as management determines necessary for the preparation of a Financial Report that is free from material misstatement, whether due to error or fraud.

Responsibility of the Auditors

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with International Standards on Auditing (issued by the International Federation of Accountants) insofar as these standards can be applied in the context of this financial and contractual compliance audit. These standards require us to observe applicable ethical standards in the conduct of our work and perform the audit to obtain reasonable assurance about whether the Financial Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the abovementioned Financial Report. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, and evaluating the **Project Promoter's** compliance with the applicable Contractual Conditions.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[In cases where uncorrected weaknesses (see Section 6 of the ToR) are material and pervasive it may be necessary to give a qualified or adverse opinion. The wordings of the independent assurance report would therefore need to be altered to suit the circumstances.]

Basis for [Qualified] / [Adverse] Opinion *[if financial findings reach the materiality threshold]*

We were unable to obtain sufficient, appropriate audit evidence to verify *[xxx or describe any limitations in scope]*. The effect of this is that we are unable to *[describe impact on our audit]*. We consider this limitation to be material but not pervasive *[use "and pervasive" if issuing an Adverse opinion]* in the context of our audit.

Unqualified [Qualified] / [Adverse] Opinion

In our opinion, *[if Qualified, add "except for the effects of the matters referred to in the preceding 'Basis for Qualified opinion' paragraph"]; [if Adverse, replace with "Because of the significance of the effects of the matters referred to in the preceding 'Basis for Adverse opinion' paragraph"]:*

- The Financial Report presents *[if Adverse, use "does not present"]* fairly, in all material respects, the actual expenditure incurred and revenue received for the Project for the period from <date> to <date> in conformity with the applicable Contractual Conditions; and

- The Programme funds provided by the FMO have, in all material respects, been used in conformity with the applicable Contractual Conditions.

Emphasis of Matter

[To be used if there are still uncorrected weaknesses but the opinion issued is still Unqualified]

Without qualifying our opinion we draw your attention to the financial findings as set out in Section 1 of our report detailing some weaknesses in the Management and Control Systems. These findings represent <insert percentage>% of the total expenditure amount reported for the Project and are therefore not considered material [*i.e. where the total amount is less than 2%*] in the context of our audit. Nevertheless, we report them to you in accordance with our Terms of Reference as they may be taken into account in determining any balance of funding payable or recoverable by the FO/FMO.

Distribution and Use

This report is provided for the information and use only of the Fund Operator and the FMO.

[Insert auditor's signature²]

[Name of auditor signing]

[Auditor's full address]

[Title of auditor signing]

[Name of audit firm]

[Date – to be inserted when final report
is signed]

² Person legally responsible for the audit report on behalf of the audit firm. The signature should be accompanied by the auditor's license number.

1. Summary of Findings

Our financial findings are summarised in Section 3. The following tables show the relation of the financial findings with the total expenditure reported for the Project and with the total amount of EEA Grants funding for the Project.

Description	Amount €	% of total Project expenditure reported
Total expenditure reported for the Project and subject to audit	<amount>	
Financial findings (ineligible expenditure established)	<amount>	<%>

Description	€
Total expenditure reported for the Project and subject to audit	<amount>
Less: financial findings (ineligible expenditure established)	<amount>
Less: Impact of indirect costs <percentage>% x ineligible personnel costs established]	<amount>
Total eligible expenditure for the Project	<amount>
EEA Grants contribution to eligible expenditure for the Project is <percentage>%]	<amount>
Total EEA Grants funding for the Project	<amount>
Less: instalment(s) paid by the FO	<amount>
Balance of funding payable or recoverable by the FO	<amount>

1.1 Financial Findings

The financial findings are summarised below, and are set out in more detail in section 3.1:

Finding No.	Error Classification	Description	Amount (€) < Draft report >	Amount (€) < Final report >

Errors are classified as follows:

- 1 – Not related to the project/activity
- 2 – Incurred outside eligibility period
- 3 – No / insufficient supporting documentation provided
- 4 – Not in compliance with procurement policies / regulations
- 5 – Expenditure included recoverable VAT
- 6 – Other

1.2 Management Control Findings

Our management control findings are summarised below, and are set out in more detail in section 3.2.

Finding No.	Description	Priority level

Priority refers to the priority of the recommendation based on the following scale:

- Priority 1: Urgent remedial action is required
- Priority 2: Prompt specific action is required
- Priority 3: Specific remedial action is desirable

2. The Engagement Context

1.1. Background of the engagement

The engagement was requested in accordance with Article 9.5 of the Programme Implementation Agreement signed between the FMO and the Fund Operator (FO), which requires the FO to commission an independent, external financial and compliance audit of projects before approval of the Final Financial Report for each project.

1.2. Entity subject to audit

[Provide a brief description of the PP – i.e. type of organisation (NGO, non-profit, private, local, etc.), overview of the organisational structure, background, objectives and main activities, etc.]

1.3. Project subject to audit

[Provide a brief description of the Project – i.e. main and specific objectives and activities, implementation structure, summary of main outputs / results, financial information (budget/actual costs/absorption rate, etc.)]

1.4. Engagement Objectives

The overall objectives of the audit were to enable us to express an opinion on whether the Final Financial Report presents fairly, in all material respects, the actual expenditure incurred by the Project Promoter and the revenue received from the FMO in conformity with the applicable Contractual Conditions and whether the Programme funds provided by the FMO as in all material respects, been used in conformity with the applicable Contractual Conditions.

1.5. Engagement Scope and Process

The scope of work of this financial and compliance audit covered the expenditure and revenue stated in the Final Financial Report of the Project for the period from <date> to <date> as presented in Annex 1.

Fieldwork

An opening meeting was held on <date> in the offices of the <name of the PP> in <location> between representatives of <Audit Firm> and the PP, where we met with key staff, ascertained their duties, and outlined our objectives and planned approach in respect of the engagement.

The following persons were present:

Persons present	Representing	Role

[Add description of AUDIT PROCEDURES PERFORMED on site – see Section 6 and Annex 2 of the ToR and suggested sub-headings below:]

Key Audit Risks and Responses

Materiality and sampling

Analytical procedures

Test of controls

Substantive procedures

At the end of the fieldwork we prepared an Aide Memoire which listed our preliminary findings prior to the issuance of a draft report. These were discussed with the PP at the closing meeting held on <date> in the offices of the <name of the PP> in <location> when we obtained their comments on the findings.

The following persons were present:

Persons present	Representing	Role

3. Findings and Recommendations

3.1. Financial Findings

Finding n°: [number]	Title: [Insert title of finding – to correspond with the title in Section 1 - highlighting the issue]
-----------------------------	--

Legal basis: [Insert reference from the Programme Implementation Agreement which provides the rule not followed]

Description of the finding: [describe in detail the finding covering facts, eligibility criteria, cause and impact, clear references to the transaction number, dates, etc.]

Recommendation:

Ineligible Amount €: [amount]

Related management control finding n°: [in cases where there is a systemic weakness]

Comments from the PP: [state whether the Entity agrees or disagrees with the finding and describe Entity comments.]

Further comments of the Auditor: [complete only if the Entity does not agree with the finding of the Auditor but the Auditor still believes that the finding is valid. In that case the Auditor should say here why the comments of the Entity are not solid and justify why the finding is retained.]

[Where there is more than one finding, reproduce the above table, using a separate page for each finding]

3.2. Management Control Findings

Finding n°: [number]	Title: [Insert title of finding – to correspond with the title in Section 1 - highlighting the issue]
-----------------------------	--

Legal basis:

[Insert the reference and text from the Programme Implementation Agreement which highlights the weakness in the PP management and control systems – also refer to further guidance under Section 6 and Annex 2 of the ToR]

Description of the finding:

[Describe the weakness identified and its cause and effect, explaining how the above legal basis has not been complied with]

Recommendation:

[State what, in practice, the PP needs to do to remedy the weakness]

Priority level: [State if 1, 2, or 3 – see section 1.2]

Comments from the PP:

[Obtain the comments of the PP on the weakness identified]

Further comments from the Auditor:

[If required, for example, if the PP does not accept the recommendation, provide further comments to justify the finding]

[Where there is more than one finding, reproduce the above table, using a separate page for each finding]



*Annex 1: Final Financial Report of Project
<title of the Project> for the period <date> to <date>/*

Annex 2: Details of expenditure considered ineligible

Annex 3: Persons contacted or involved in the engagement

The Auditor – <Name>

[Name] [Title / Role]

[Name] [Title / Role]

The Entity subject to audit – [name of the PP]

[Name] [Title / Role]

[Name] [Title / Role]

[Name] [Title / Role]

[Name] [Title / Role]

Annex II Financial and Compliance Audit Procedures

3.1. Planning and Fieldwork

The Audit procedures should, in accordance with ISAs, include:

Obtaining an understanding of the engagement context (ISA 300)

The Auditor should obtain sufficient understanding of the engagement context and establish an overall audit strategy. This will entail confirming the Auditor's understanding of the scope of the engagement, and understanding the laws and regulations which apply to the Programme and projects, including the Contractual Conditions which are set out in Section 3 of the ToR (Scope).

Specifically, the Auditor should focus on:

- understanding how the EEA and Norway Grants function and are disbursed and accounted for. The auditor should understand how the PIA and Management Control Systems (MCS) Description of the FO fit into the overall context of the EEA and Norway Grants. In addition, the auditor should understand the nature of activities managed by the FO;
- being familiar with the contents of the PIA. Familiarity of the PIA should extend to its annexes, which are integral to the PIA and therefore part of the Programme's legal framework; and
- understanding the objectives of the financial and compliance audit, the process to be followed e.g. for reporting and the outputs required.

The Auditor should pay specific attention to the Contractual Conditions related to:

- Eligibility of expenditure, particularly as set out in Chapter 4 of the PIA;
- Public Procurement rules set out in Chapter 7 of the PIA;
- Co-financing requirement at project level, including in-kind contribution in the form of voluntary work set out in Article 4.6 of the PIA and Point 2.2 of Annex II
- Cash and bank management;
- Documentation, accounting and financial reporting;
- Audits, monitoring, and reporting / remedying irregularities; and
- Information and communication rules set out in Chapters 3 of the PIA.

Performing risk assessment (ISAs 315 and 330)

The Auditor shall perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatements at the Financial Report and assertion levels, whether caused by error or fraud.

These procedures shall include inquiries of management and of others within the respective entities, analytical procedures (i.e. based on the financial reports submitted by PPs), and observation and inspection.

The risk assessment shall be based on the Auditor's understanding of the FO and PPs, the Programme (and projects) objectives and activities, as well as the relevant implementation context (i.e. sector / country / region), including the internal controls applied by the respective entities.

The Auditor shall design and implement responses to address the assessed risks of material misstatements, through substantive procedures designed to address such risks, as well as tests of controls, as appropriate (*see detailed sections below*).

Obtaining an understanding of the Entity and its environment, including internal control (ISA 315)

The Auditor should obtain an understanding of the nature of the Entity(ies) and its environment, including:

- the organisation's status (i.e. public / private, non-profit, NGO, etc.);
- the relevant / sector it operates in;
- the regulations relevant to its operations;
- ownership and governance structures (including related entities, if relevant);
- operations; and
- sources of financing.

The Auditor should also obtain an understanding of the Entity(ies)'s internal control relevant to the Audit, focusing on the key controls, and specifically those relating to the Programme / project, which are designed to prevent and detect material errors, irregularities, or fraud with regard to the Programme and the funds received under the EEA and Norway Grants.

In particular, the Auditor should obtain an understanding of the Entity(ies)'s:

- control environment;
- risk assessment processes; and
- control activities (relevant to expenditure control and financial reporting),

and assess how the FO ensured that all activities implemented, and costs incurred, under the Programme comply with the applicable Contractual Conditions.

The Auditor should consider qualitative as well as quantitative factors but since this audit is not a performance or operational audit, the Auditor should concentrate on financial internal controls rather than operational controls. The Auditor should use professional judgment to determine the extent of the understanding required.

When obtaining an understanding of relevant controls, the auditor should evaluate the design of the controls and determine whether they have been implemented effectively. Evaluating the design of an internal control involves considering whether, individually or in combination with other controls, it is capable of effectively preventing, or detecting and correcting weaknesses and deficiencies.

Procedures to obtain evidence regarding the design of internal controls can include:

- Discussions with relevant members of the Entity's staff;
- Evaluating whether descriptions of the various Entities' internal controls, if available, fairly present the internal controls that have been designed and implemented;
- Observing operations and inspecting documents, reports, printed and electronic records of transaction processing, accounting procedures (e.g. bank reconciliations) and other key approval and internal control procedures (e.g. periodical expenditure reports, budget – actual comparisons, review and approval of timesheets etc.); and
- Re-performing internal controls.

Performing tests of controls (if considered appropriate under ISA 330)

The Auditor should design and perform tests of (relevant) controls to obtain sufficient appropriate audit evidence if:

- The Auditor's assessment of risks of material misstatement includes an expectation that the controls are operating effectively (that is, the auditor intends to rely on the effective operation of controls in establishing the nature, timing, and extent of substantive procedures); OR
- Substantive procedures alone cannot provide sufficient appropriate audit evidence.

An internal control is operating effectively if, individually or in combination with other controls, it provides reasonable assurance that:

- The Entity's internal control objectives are achieved and in particular that risks to the achievement of the objectives of the Programme / Project are properly managed and controlled;

- The risks of error, irregularities and fraud with regard to the Programme / Project funding are properly prevented or detected in a timely manner.

When designing and performing tests of controls, the Auditor should:

- Perform other procedures in combination with inquiry to obtain evidence about:
 - How the internal control was applied;
 - The consistency with which the internal control was applied; and
 - By whom or by what means the internal control was applied;
- Determine whether internal controls to be tested depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain evidence supporting the operating effectiveness of those indirect controls; and
- Determine the method for selecting items for testing that are effective in meeting the objectives of the procedure.

When determining the extent of tests of controls, the Auditor should consider matters including the characteristics of the population to be tested, which includes the nature of controls, the frequency of their application (for example, monthly, daily, a number of times per day) and the expected error rate.

Tests of controls may include, but are not limited to, inspection (of records, documents and assets), observation, inquiry of management and others within the Entity, confirmation, recalculation and re-performance.

Performing substantive procedures (ISAs 330 and 520)

Irrespective of the assessed risks of material misstatement, the Auditor should design and perform substantive procedures. This requirement reflects the facts that:

- a) the Auditor's assessment of risk is judgemental and so may not identify all risks of material misstatement; and
- b) there are inherent limitations to internal control, including management override.

Nevertheless, the results of tests of controls, if any, should be taken into account in determining the extent of substantive procedures.

Substantive procedures comprise:

- Establishing the audit trail (i.e. agreeing the financial reports to the underlying accounting records);
- Reviewing / establishing the cashflows within the Project and reconciling fund balances;
- Performing tests of details of transactions across the different budget lines; and
- Performing substantive analytical procedures.

The tests should be relevant to the nature of the transaction and the related assertions (i.e. completeness / occurrence, etc.), as well as its compliance with the eligibility criteria set out in the Contractual Conditions, and should include:

- Agreeing costs to invoices, receipts, contracts, and other relevant supporting documents;
- Reviewing evidence of actual payment;
- Reviewing compliance with procurement policies and applicable guidance (i.e. Contractual Conditions and national regulations); and
- Reviewing the calculation and reasonableness of costs charged / allocated to the project / programme.

ISA 520 defines substantive analytical procedures as evaluations of financial information through analysis of plausible relationships among both financial and non-financial data (e.g. assessing the reasonableness of total staff costs claimed based on contractual pay, timesheets, joining and leaving dates, etc.). Analytical procedures also include identifying fluctuations or relationships which are inconsistent with other relevant information or that differ

from expected values by a significant amount (e.g. level of travel costs claimed compared to the nature of activities actually implemented).

Sampling methodology and selection (ISA 530)

In the context of the financial and compliance audit for the Programmes, the Auditor will need to perform audit sampling as a minimum, at two levels:

- 1) selection of the projects to be audited to meet the criteria set out in Article 9.5 of the PIA (see also Section 3 of the ToR); and
- 2) selection of transactions from the expenditure reported under the projects.

ISA 530 states that audit sampling can be applied using either non-statistical or statistical approaches. The decision regarding which approach to use is a matter of the Auditor's professional judgement. However, it is important to note that the Regulation on the implementation of the EEA and Norwegian Financial Mechanisms for 2014-2021 considers statistical sampling as the preferred approach for national entities tasked with its implementation.

The ISA further states that the Auditor shall:

- consider the purpose of the audit procedure, and the characteristics of the population;
- determine a sample size sufficient to reduce sampling risk to an acceptably low level; and
- select items for the sample in such a way that each unit in the population has a chance of selection.

In the event that the Auditor discovers errors of a systemic nature in the sample selected, the Auditor should assess if, and what, further procedures are appropriate to obtain reasonable assurance in relation to the remaining transactions in the population (e.g. extending the sample size, performing other substantive procedures, etc.).

In addition, the Auditor should assess the cause(s) of these systemic errors and consider if raising a management control finding is appropriate.

3.2. Audit Documentation and Evidence (ISAs 230 and 330)

The Auditor should prepare audit documentation and obtain sufficient appropriate audit evidence to support audit findings and to draw reasonable conclusions on which to base the audit opinion. The Auditor should use professional judgment to determine whether the audit evidence is sufficient and appropriate taking into account the Contractual Conditions.

Audit documentation or working papers means the record of audit procedures performed, relevant audit evidence obtained, judgements, and conclusions that the Auditor reached. An audit file should be prepared in one or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation or working papers for each specific engagement.

Audit documentation should provide:

- Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the audit; and
- Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements (including the Contractual Conditions).

The following should be included in the audit documentation:

- a) the overall responses to address the assessed risks of material misstatements, and the nature, and extent of audit procedures performed;
- b) the linkage of the procedures with the assessed risks; and
- c) the results of the audit procedures, including the conclusions.

In forming an opinion, the auditor should consider all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial report.

If the Auditor has not obtained sufficient appropriate audit evidence, the auditor should attempt to obtain further audit evidence (see further guidance on *Reporting*, under Section 6 of the ToR) before issuing a conclusion (i.e. final audit opinion).

Annex III: Table of similar services completed by the Candidate

Title of the Project				
Name of the programme	Budget (EUR)	Description	Donor	Dates (start/end)
Link of Published (audit) report or other document verifying the completion of evaluation/audit (e.g certificate of successful contract completion)				

Annex IV: Template of the letter of intent for auditing team members

LETTER OF AVAILABILITY FOR THE AUDIT TEAM MEMBERS

Terms of Reference for the selection of Auditor for the EEA Grants programmes in Greece, 2014-2021, “Asylum & migration” and “Local development & Poverty reduction”

The undersigned:

(Name, Address, email)

For the attention of the Fund Operator I, (name) the undersigned, do hereby confirm that in the event that the (name of the tenderer) application of the is successful in securing the conduction of auditing for the EEA Grants programmes in Greece, 2014-2021, “Asylum & migration” and “Local development & Poverty reduction”, I am available to work as member of the evaluation team with the role of (role name) for the execution of evaluation/auditing, in accordance with the TORs specifications and the tender to which the present form is annexed, and I am available to carry out the part of the tasks assigned during the period foreseen for the execution of the contract.

Date

Name

Signature